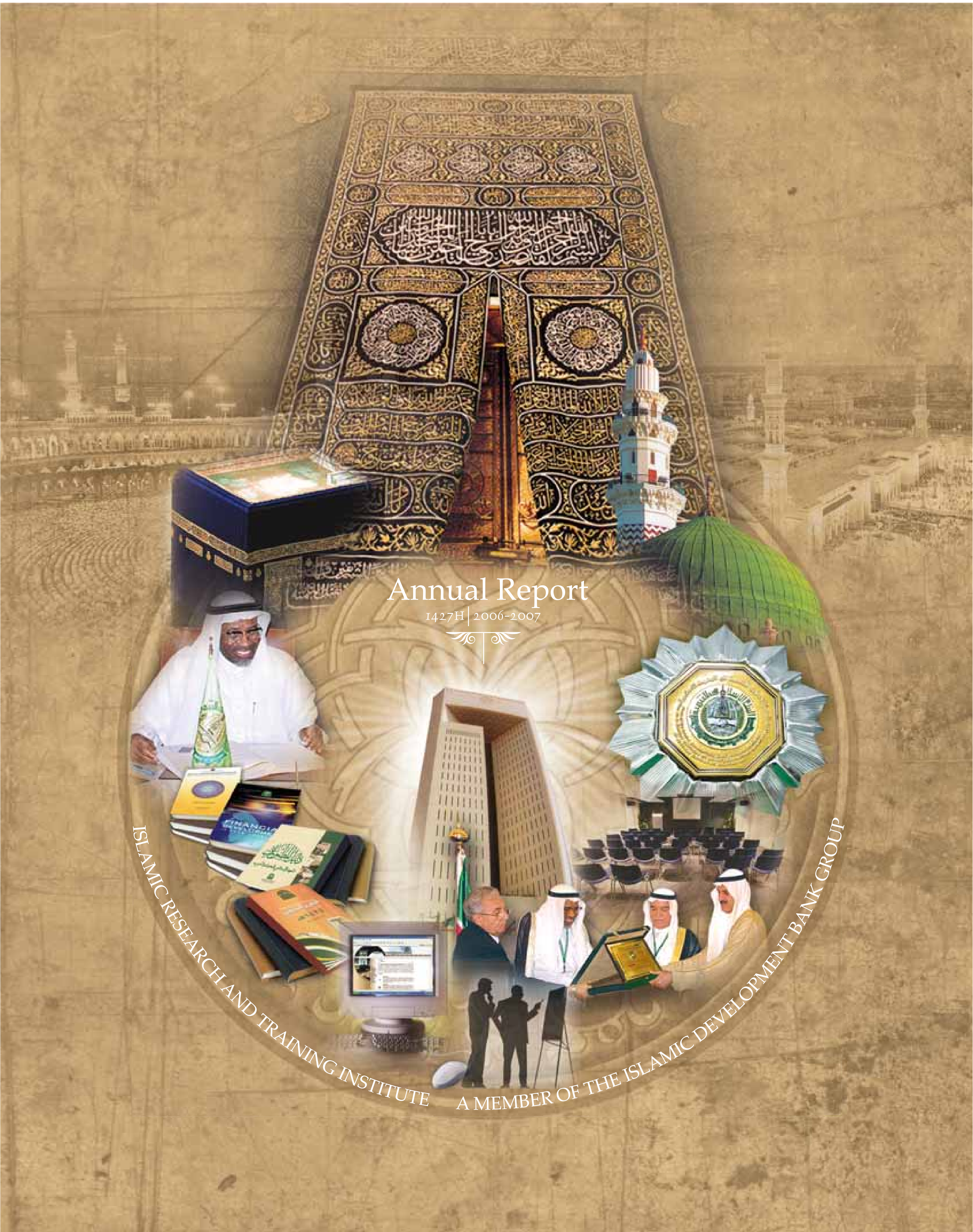
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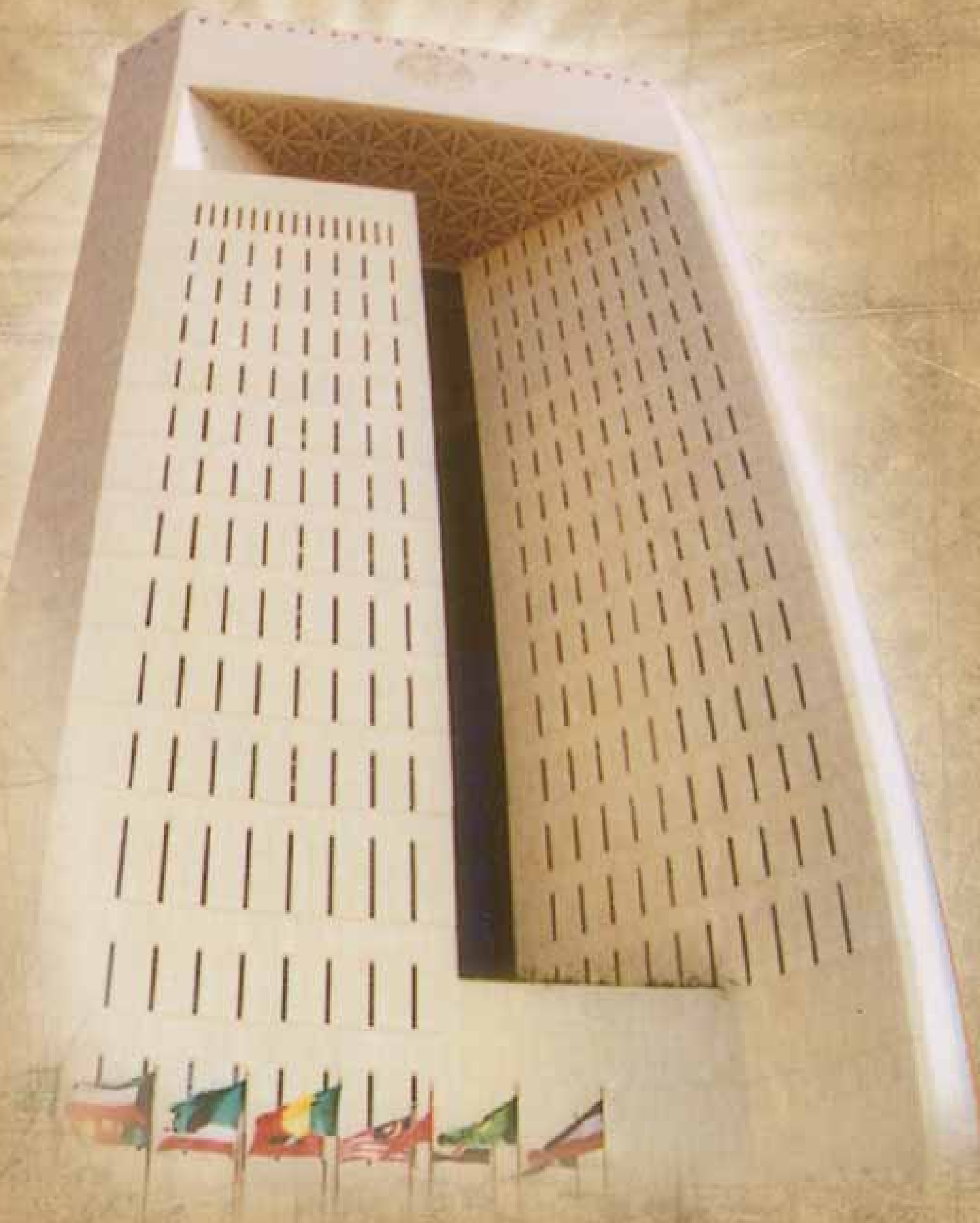


ISLAMIC RESEARCH AND TRAINING INSTITUTE

Annual Report

1427H | 2006-2007


Annual Report
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ISLAMIC RESEARCH AND TRAINING INSTITUTE
A MEMBER OF THE ISLAMIC DEVELOPMENT BANK GROUP



ISLAMIC DEVELOPMENT BANK GROUP HEADQUARTER AND IRTI TOWER WITHIN IDB BUILDING

ISLAMIC RESEARCH AND TRAINING INSTITUTE
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ISLAMIC RESEARCH AND TRAINING INSTITUTE

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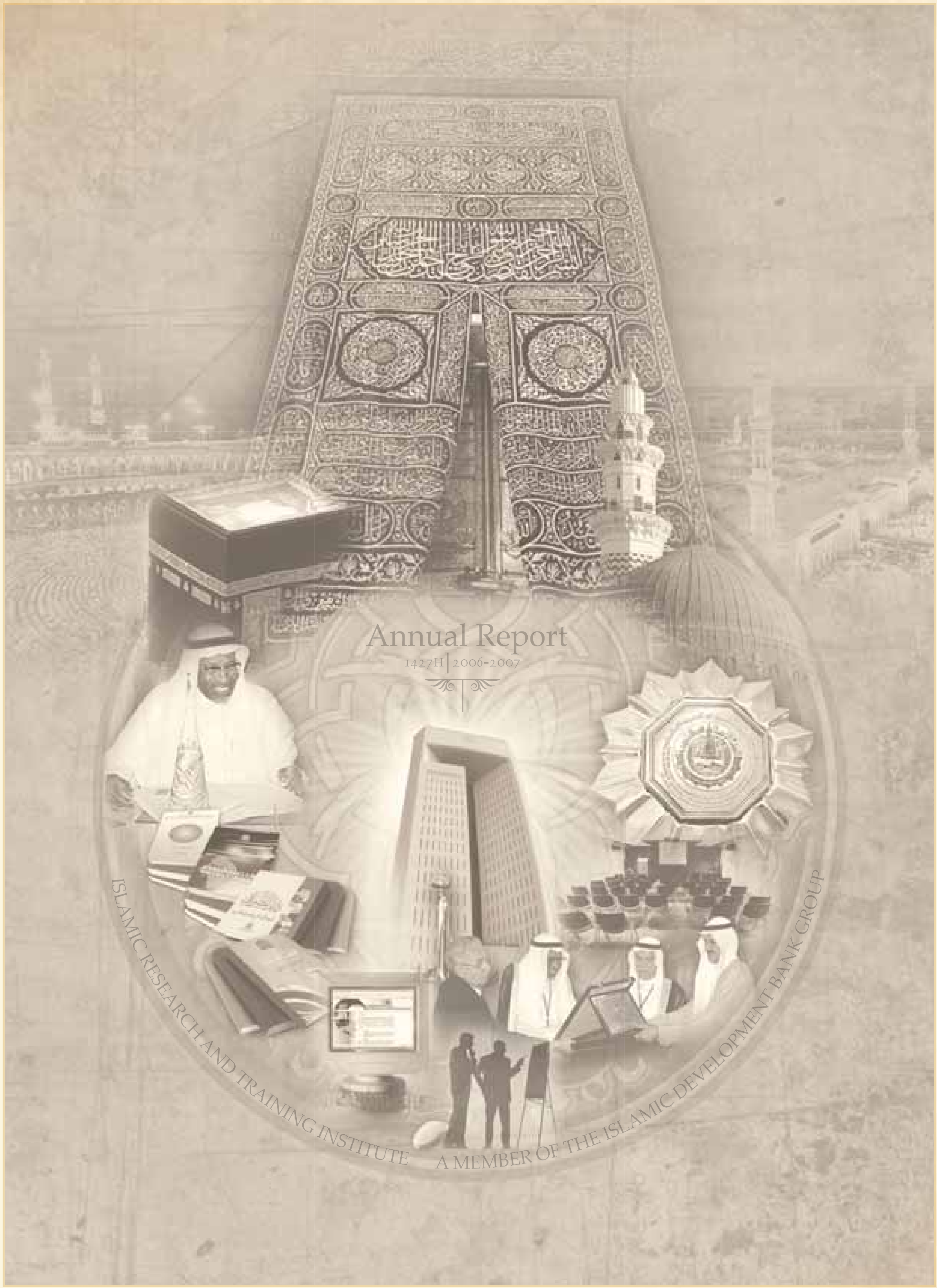


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IRTI Institutional Development



Appendices



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LIST OF ABBREVIATIONS

ADBS	-	Awqaf Databank System
ASEU	-	Azerbaijan State Economic University
BED	-	Board of Executive Directors
BOG	-	Board of Governors
CIS	-	Commonwealth of Independent States
DEA	-	Data Envelopment Analysis
DIFC	-	Dubai International Financial Center
DL	-	Distance Learning
DLCs	-	Distance Learning Centers
DLP	-	Distance Learning Program
GDLN	-	Global Development & Learning Network
GKP	-	Global Knowledge Partnership
IBIS	-	Islamic Bank Information System
IDB	-	Islamic Development Bank
IDBDE	-	IDB Database on Experts
IDRC	-	International Development Research Centre
ICCI	-	Islamic Chamber of Commerce & Industry
ICDT	-	Islamic Centre for Development of Trade
ICT4D	-	Information and Communication Technologies for Development
IFSDF	-	Islamic Financial Sector Development Forum
IIFS	-	Institutions Offering Islamic Financial Services
IIU	-	International Islamic University
IFSB	-	Islamic Financial Services Board
IFSI	-	Islamic Financial Services Industry
IRTI	-	Islamic Research & Training Institute
ISESCO	-	Islamic Educational, Scientific and Cultural Organization
ITFC	-	International Islamic Trade Finance Corporation
IUT	-	Islamic University of Technology
KAPF	-	Kuwait Awqaf Public Foundation
KICT	-	Knowledge, Information & Communication Technology
MCs	-	Member Countries
MDeC	-	Multimedia Development Corporation
MoU	-	Memorandum of Understanding
MSCTC	-	Multimedia Super Corridor Technology Center
NIE	-	New Institutional Economics
OIC	-	Organization of Islamic Conference
PMS	-	Publication Management System
ROA	-	Return on Assets
ROE	-	Return on Equity
SAMA	-	Saudi Arabian Monetary Agency
SESRTCIC	-	Statistical, Economic and Social Research and Training Centre for Islamic Countries
S&T	-	Science & Technology
UNDP	-	United Nations Development Program
UNED	-	Universidad Nacional de Educacion a Distance
YP	-	Young Professionals

EXECUTIVE SUMMARY

Islamic Research and Training Institute (IRTI) of the Islamic Development Bank Group (IDB) undertook various activities to fulfill its mandate of increasing the knowledge base in Islamic Economics, Banking and Finance, and providing training facilities to stakeholders. 1427H was the second year of implementation of IRTI's 5-Year Strategic Plan. The highlights of its achievements during 1427H are given below.

Strategic Dialogue

IRTI established four Working Groups in 1426H and started the activities of these groups during 1427H. The Working Group on Poverty Alleviation held its first meeting during 1-2 May 2006 at IDB Headquarters in Jeddah in which representatives of 12 member countries participated. The Working Group on Islamic Financial Sector Development held its first consultative meeting on March 30, 2006 in Dubai. The Working Group on Capacity Building initiated its activities by communicating with some Centers of Excellence and reputed experts and scholars. The first consultative meeting of the Working Group on Information and Communication Technology for Development (ICT4D) was held in Malaysia during 1-2 November 2006 in which 15 participants from international and national organizations participated.

Within the Working Groups, the "Ten-year Framework for the Development of the Islamic Financial Services Industry (IFSI)" was prepared in association with other stakeholders, specially the Islamic Financial Services Board (IFSB). Furthermore, the first Islamic Financial Sector Development Forum was organized in Kuwait on May 27, 2006 during the annual IDB Board of Governors' Meeting.

Knowledge Building in Islamic Economics and Finance

Four in-house research projects were completed in 1427H. These were "Islamic Law, Corporate Finance and Financial Development", "Privatization in Developing Countries: An Empirical Evidence", "Islamic Finance and the Challenges of Hedging" and "Islamic Economics in a Complex World". Furthermore, work on the First Phase of "Compendium on Financial Products found in *Fiqh* Literature" project has been completed. Two field surveys were conducted on *Awqaf* and Non-profit Institutions in Gambia and Bangladesh for another research project on "Legal Environment and Non-profit Institutions: Implications for Growth of *Awqaf* Institutions". This is under completion.

A workshop on "Textbooks in Islamic Economics" was organized in IDB Headquarters. Four proceedings were completed and are in the process of publication. They include the proceedings of the "Roundtable on Islamic Economics" held in IDB Headquarters, the seminar on "Macroeconomics from Islamic Perspective" held in Malaysia, seminar on "Islamic Finance" held in Brunei and "The Sixth International Conference on Islamic Economics and Finance" held in Indonesia. Moreover, a handbook entitled, "Anthology of Islamic Economics, Vol.1: Exploring the Essence of Islamic Economics" has been completed and is in the process of review by the Academic Committee. While IRTI produced 3 publications in 1427H, 19 are in the pipeline. IRTI also published two volumes of its journal, one in English and one in Arabic.

IRTI was involved in organizing a total of 15 conferences/seminars/forums during 1427H. Among the conferences organized by IRTI were the International Conference on "Ibn Khaldun's Economic Contributions" held in Spain, "International Seminar on *Awqaf* in Europe Trust" held in UK, "Young Professional Forum on Islamic Economics" held in Malaysia, "Second International Conference on Islamic Banking: Risk Management, Regulation and Supervision" held in Malaysia, "Islamic Financial Sector Development (IFSD) Forum held in Kuwait, and "Islamic Capital Markets Conference and Workshop" held in Pakistan. IRTI also conducted the 3rd and 4th Distance Learning Courses during 1427H.

IRTI professionals presented 23 papers at different conferences/seminars/workshops and gave 17 lectures at various training programs and distance learning courses. Furthermore, IRTI mobilized a total of 123 papers from external scholars in their conferences and seminars on Islamic economics, banking and finance.

Facilitating Application of Islamic Economics and Finance

IRTI undertook various activities to enable the use of knowledge of Islamic economics and finance in various fields. Other than a seminar on "Islamic Capital Markets" held in Jeddah during 17-20 September, 2006, a total of 11 training courses were held on various topics related to Islamic Banking and Finance in different countries during 1427H. The courses included "Investment of Funds Compatible with *Shari'ah*", "Islamic Banking Operations", "*Shari'ah* Rules Governing Banking Operations and their Applications", "Securitization and its Applications in Islamic Banking", "*Sukuk* and their Applications in Islamic Banks", "Accounting and Auditing Standards in Islamic Financial Institutions", "Principles and Practices of Islamic Economics and Banking", etc.

Capacity Building

During 1427H, IRTI organized 26 training programs in 15 IDB member countries which were attended by 730 participants from IDB member countries. These included: 12 regular courses, 9 fee-based courses, one Technical Seminar on Establishing *Zakah* and *Awqaf* Institutions in Sub-Saharan African Countries, and 4 workshops under the Task Force on Training for Preparing the Ummah for 21st Century. These training programs were conducted in four languages namely, Arabic, English, French and Russian [in Commonwealth of Independent States (CIS)]. During 1427H, percentage-wise implementation of the training programs under four broad themes was 58% on Islamic Banking and Finance, 7% on Private Sector Development, 12% on Human Resource Management and 23% on Macro-Economic Policies.

IRTI coordinates and supports holding of international forums in the area of ICT jointly with reputed OIC/IDB regional and international organizations. In 1427H, IRTI held the first conference of the International Forum in Marrakech on March 01-03, 2006. This international event offered opportunities of project exhibition (along with the technology exhibition), knowledge sharing and business networking. Prior to this event, a two-day workshop was held on February 27-28, 2006.

Information and Knowledge Resources

As a part of its mandate to collect, systemize, and disseminate information in various fields that serve member countries, IRTI has established various information systems. The first phase of "Islamic Bank Information System (IBIS)" was completed by the end of 1427H. During 1427H, IRTI jointly took initiative with Kuwait Awqaf Public Foundation to develop the "Awqaf Databank System (ADBS)". The first phase of ADBS portal has been completed and it is expected to be published and made accessible to public during 1428H. During 1427H, the first update of the "IDB Database on Experts" was verified and enhanced.

Prizes

The IDB Prize in Islamic Economics for the year 1427H was awarded to Dr. Abdus Salam al Abadi (Jordan) for his substantial contribution to Islamic economics. The Prize will be awarded to him during the Annual Meeting of the IDB Board of Governors, to be held in May 2007 in Dakar, Senegal.

In order to promote economic cooperation among member countries, the IDB Group has established a *Waqf* Fund to support the "Islamic Solidarity Prize for Trade Promotion among Member States of OIC" to be awarded annually. During 1427H, IRTI along with Economic Policy and Statistics Department of IDB prepared the proposal and guidelines of the Solidarity Prize. The Board of Executive Directors (BED) approved the special *Waqf* Fund for an amount of USD 1 million, with the income generated thereof to be allocated for this Prize.

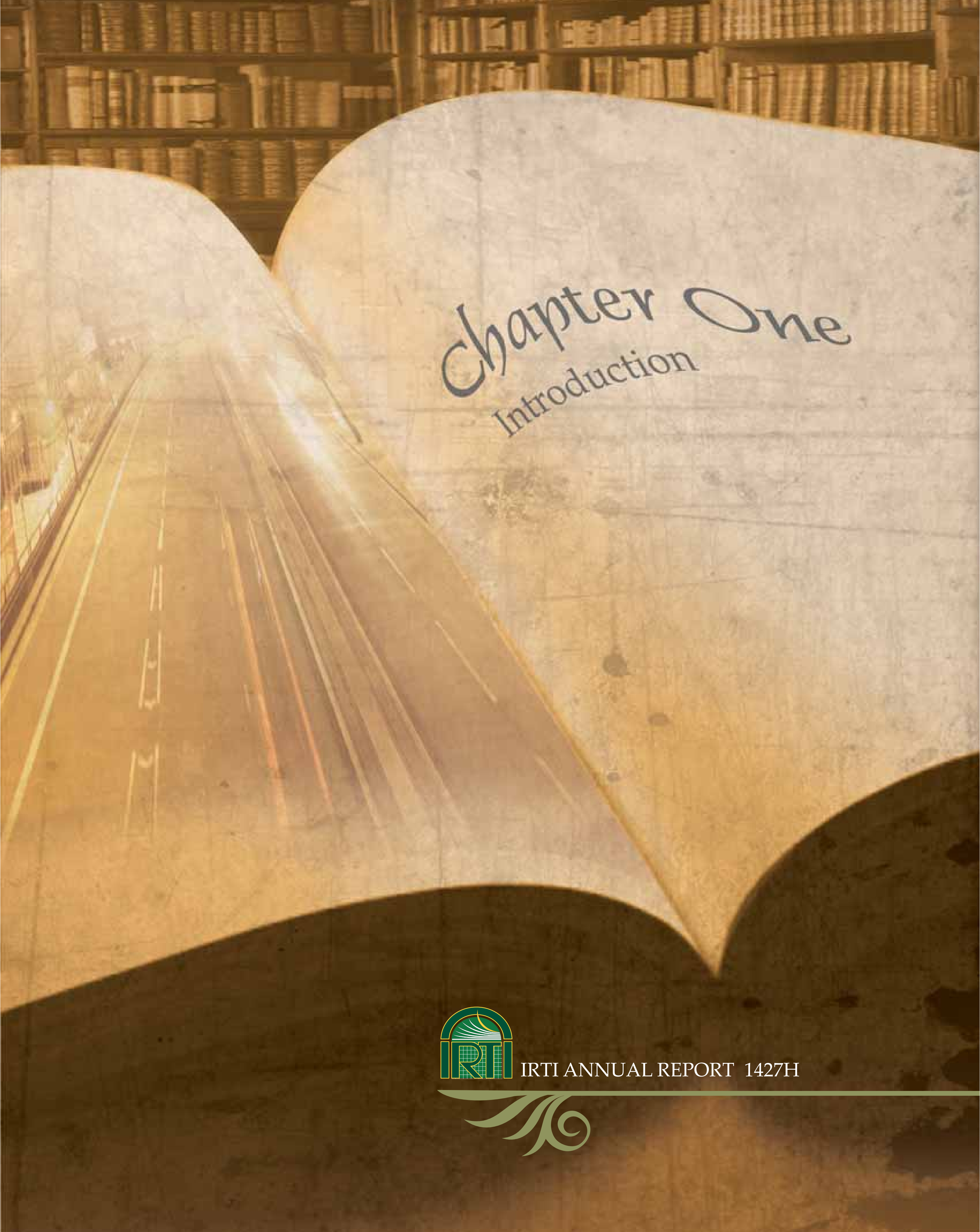
Institutional Development

IRTI took a number of steps to strengthen institutional development within the IDB Group. The input from IRTI continued in several IDB Vision 1440H Quick Wins initiatives. Professionals from IRTI made significant contributions on papers on International Zakah Foundation and Islamic Financial Services Industry Development that were submitted to the BED for brainstorming session held in June 2006.

IRTI also contributed to various programs and activities of the IDB Group. Among others, IRTI professionals participated in committees/teams related to establishment of International Islamic Trade Finance Corporation (ITFC), the IDB Oral History Program, Young Professionals Implementation Committee, and various Science and Technology Committees.

IRTI had significant networking and cooperation with various international and national level organizations. IRTI professionals considerably contributed to producing a document on the corporate governance as a member of the Working Group on the subject of the International Financial Services Board and also attended the preparatory meeting for the third *Awqaf* Forum to be organized in 1428H. The networking with universities has facilitated the implementation of Distance Learning courses on Islamic Economics and Islamic Finance.

Necessary steps were taken to expand the current IRTI publication system to become a total-solution publication activities.



Chapter One

Introduction

CHAPTER 1

INTRODUCTION

1.1. IRTI, ITS MANDATE AND STRATEGIC OBJECTIVES

The Islamic Research and Training Institute (IRTI) was established in 1401H (1981). The purpose of the Institute is to undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to *Shari'ah* and to extend training facilities to personnel engaged in economic development activities in the Bank's member countries. The Institute is located within the headquarters of IDB in Jeddah, Saudi Arabia.

The functions of the Institute are:

a. to organize and coordinate basic and applied research with a view to developing models and methods for the application of *Shari'ah* in the fields of economics, finance and banking;
b. to provide for the training and development of professional personnel in Islamic economics and banking to meet the needs of research and *Shari'ah*-observing agencies;
c. to train personnel engaged in development activities in the Bank's member countries;
d. to establish an information center to collect, systematize and disseminate information in fields related to its activities; and
e. to undertake any other activities which may advance its purpose.

The President of the IDB is also the President of the Institute. The IDB's Board of Executive Directors (BED) acts as its supreme policy-making body. The Institute is headed by a Director responsible for its overall management who is selected by the IDB President. The Institute consists of four technical divisions (two Research Divisions, one each of Islamic Economics and Islamic Banking & Finance, a Training Division and an Information Center) and three supportive units: Special Assignments, Administrative Services, and Publication.

IRTI works within the framework of the IDB Group Strategic Framework. This framework states that "The IDB Group will continue to provide necessary assistance and guidance for completing the infrastructure of the Islamic banking and financial industry. Within the Group, IRTI would play a leadership role in creating a network of institutions contributing to various aspects of the industry". Nevertheless, IRTI also makes a concerted attempt in contributing to the other two strategic objectives of the IDB Group, namely, poverty alleviation and economic cooperation among member countries. In responding to the expectations of member countries, the IDB Group adopted the Vision 1440H during 1427H. The Vision emphasizes the IDB Group to take the role of a facilitator along with its current functions. This new role puts more weight on knowledge creation and application, and adds to the responsibilities of IRTI.

1.2 IRTI STRATEGIC PLAN

During 1425H (2005), the Institute adopted its first 5-Year Strategic Plan. During 2005 the implementation of the Plan was initiated. In this manner, the year 1427H (2006) was the second year of implementation of the IRTI Strategic Plan.

Strategic Objectives for 1426H-1430H

In the light of the Statutory functions of IRTI, the role of IRTI as identified in the IDB Group Strategic Framework document, IRTI review report, situation analysis conducted by IRTI, and feedback provided by the Honorable Board members, the Institute has identified the following strategic objectives:

- Providing financial and socioeconomic statistics about member countries;
- Promoting strategic dialogue among member countries on key issues of common interest;
- Facilitating the practical application of Islamic economics, banking and finance;
- Developing Islamic economics, banking and finance as scientific disciplines, and
- Business and endowment development for strengthening the financial position of the Institute.

Strategic Initiatives

In order to achieve the above mentioned strategic objectives, IRTI plans to introduce the following initiatives.

i. Building synergies within the IDB Group through

- IRTI responding to such business needs of the IDB Group, which require input from IRTI based on the areas of its core competence;
- IRTI utilizing accumulated experience of the IDB Group entities for developing packages for effective knowledge transfer;
- IRTI in partnership with the relevant IDB Group entities, organizing events to contribute towards the Strategic Objectives of the IDB Group.

ii. Networking through Working Groups

The following Working Groups comprising Centers of Excellence from member countries will be established:

- Working Group on Poverty Alleviation;
- Working Group on Islamic Financial Sector Development
- Working Group on Capacity Building
- Working Group on ICT4D

Strategic Functional Focus

i. Research

- Sustainable development and poverty alleviation
- Risk management, regulation and supervision
- Products and markets development
- Text books and surveys

ii. Training

- Building and enhancing technical capacities of member countries in macroeconomic management, Islamic banking and finance and managing Islamic economic institutions
- Traditional training as well as utilization of Distance Learning Network
- Improving quality, efficiency, impact and cost-effectiveness of training programs
- Income generation
- Training packages and cases
- Building partnership with the Private Sector

iii. Information Systems and services

- The IRTI Islamic financial institutions information system,
- Building the IRTI Website benchmarked with the Website of the World Bank Institute,
- Utilization of the Internet for marketing the Institute's services, particularly, IRTI publications,
- Building a database on Awqaf, and
- Facilitating the digitization of IRTI documents.

iv. Programs and Partnerships

- IRTI will revitalize the following professional programs, which are already under implementation:
- Research Seminars and Conferences
- Training Courses
- Various types of Publications
- IDB Prize in Islamic Economics, Banking and Finance
- IRTI Scholarship for PhD in Islamic Economics, Banking and Finance
- IRTI Distinguished Scholars' Lecture Series
- IRTI Visiting Scholars' Program
- IRTI Encouragement and Promotion Program, and
- IRTI Partnership Program for Capacity Building in Islamic Financial Industry.

1.3. OVERVIEW OF CURRENT ISSUES

In the context of the activities of IRTI, the following issues continued to dominate in the work program for 1427H.

i. Issues Relating to the Development of Theory and Application of Islamic Economics on Scientific Grounds

Though a lot of research has been conducted and published in the area of theory and application of Islamic economics, it is still far from being claimed as a distinct discipline on its own. Lack of resources, both academic and financial, is effectively constraining the development of Islamic economics as a distinct scientific discipline.

The research that has been conducted so far has confined to the application of the framework and tools of the conventional economics for analyzing teachings of Islam on various economic and financial matters. In order to get the subject recognized as a distinct discipline, the research in Islamic economics has to go beyond its current level of thinking. Islamic economists have always believed that they need to develop their own framework for economic analysis of human behavior. This is needed not only to get more realistic insight into the economic behavior of a man in the light of divine guidance about the nature of human behavior, but it is also needed to properly understand divine commandments for improving the well-being and economic conditions of human existence in this world. Very little work has been done towards developing a framework more suitable to achieve these objectives.

If Islamic economics is to be presented as a scientific discipline, then there is a need for a framework that would allow not only to analyze all (positive) economic aspects of human life but also enable the incorporating of Islamic ethics in the analysis to study the normative impact of these ethics on the economic behavior of individual as well as on the economy as a whole. The framework should help explain the economics of such normative concepts as avoiding "*Tabdheer*", excessive consumptions of goods which are "*Tayyibaat*", "rights of others in individual property rights", "*Infaq*" etc.

Islamic economists are not alone in the search of an alternative framework for our economic analysis. A large number of contemporary economists too are strongly critical of the conventional (neo-classical) framework of economic analysis and they too are in search of alternative framework. Their reasons for the search are more or less the same for which Islamic economists are looking for an alternative framework. This group of contemporary economists too is trying to develop a framework for economic analysis which will be more meaningful, realistic and useful and will also take into account the moral ethics in explaining economic behavior[1]. Researchers in Islamic economics can learn a lot from these efforts on the part of conventional economists.

Another group of contemporary economists developing an alternate framework in the name of New Institutional Economics (NIE). The NIE is being recognized as a rapidly growing discipline and, in many respects, offers a suitable framework for Islamic economic analysis too. Institutions provide rules and regulations to regulate human activity and human behavior and limit choices for their decision making. The institutions that have received most attention in the NIE are those that relate to property rights contracts and contractual obligations. These are the institutions on which an elaborate discussions is also available in Islamic literature. Most of the current developments in the NIE are directly relevant for Islamic economic analysis too[2].

These developments in conventional economics are necessitating that Islamic economics too change its direction of research and concentrate on developing their own framework of analysis more relevant to Islamic perspective on human behavior and more realistic to prevailing economic conditions in Islamic countries and Islamic communities. IRTI has realized this need for changing the direction of research on topics relating to theory and application of Islamic economics. IRTI is not only re-orienting its own in-house research activities but is also mobilizing other institutions of higher learning to adopt suitable strategies, accordingly, in their efforts for developing teaching material and text books on Islamic economics.

ii. Issues Relating to Revitalizing the Institutions of *Zakah* and *Awqaf*

The volume and intensity of poverty in several Muslim countries and Muslim communities has necessitated to promote Islamic institutions for fight against poverty. The two Islamic institutions which can play an effective role in alleviating poverty in contemporary Muslim world are the institutions of *Zakah* and *Awqaf*. These institutions are known to have substantial potential for mobilizing additional resources to fight poverty but this potential remains unutilized to a large extent. How to revitalize these institutions to play effective role to fight poverty in Muslim countries is an issue that research institutions in the area of Islamic economics need to address on priority basis. IRTI has taken up this responsibility and is addressing this issue through its in-house research as well as through conducting and sponsoring seminars, workshops and conferences to promote research on contemporary issues faced in revitalizing these two institutions as well as creating awareness about the significance and potential of these institutions in alleviating poverty.

One of the main issue in the context of revitalizing these two institutions for poverty alleviation is how to make them an integral part of the national strategies for economic development and poverty reduction strategies. All Member Countries like other developing countries are formulating or have formulated Poverty Reduction Strategies. *Zakah* and *Awqaf* are not yet a part of these strategies. This is because currently *Zakah* and *Awqaf* activities are being generally carried out in the informal sector and hence do not generate enough information to allow them to be included in the macroeconomic framework of a country to serve as a part of poverty reduction strategy. The value of these two institutions lies in the fact that they can mobilize substantial resources on voluntary basis in addition to the resources available for poverty reduction from government budget and from foreign aid. The resources generated by *Zakah* and *Awqaf* institutions, committed to social causes and poverty alleviation can become a strong component of the poverty reduction strategies as they remain available even in those periods when exogenous factors may adversely affect the availability of resources from national budget and from foreign aid. Integrating these two institutions in the national macroeconomic framework as well as in poverty reduction strategies requires a lot of research to be conducted for the benefit of planning and policy makers. The following areas need to be attended in this respect:

1. Developing suitable models of collecting and disbursing *Zakah* that would be appropriate and consistent with the existing legal systems as well as social, political and economic realities in contemporary Muslim countries.
2. Studying legal and infrastructural requirements that would be conducive for the promotion and development of *Awqaf* institutions.
3. Conducting empirical studies on the impact of *Zakah* in reducing poverty in countries where a system of collection and disbursement of *Zakah* is being formally applied.
4. Studying the best organizational models and practices for establishing such institutions as *Zakah* and *Awqaf* in order to enable them to perform efficiently with particular reference to poverty reduction and social development.
5. Developing models for supervising and monitoring the operations and performance of these institutions.

6. Designing a system for collecting statistics on activities (including those relating to mobilization and disbursement of resources) of these institutions

Besides carrying out studies to bring these two institutions into the formal macroeconomic structure of a Muslim economy, there is a need to discover innovative ways of best utilizing these institutions within the contemporary social, political and economic realities in Muslim societies. The issues such as utilizing *Zakah* and *Awqaf* for promoting microenterprises for the benefit of poor, financing the revival of idle *Awqaf* properties, using *Awqaf* structure for designing Takaful (Islamic insurance) institutions are some examples of developing innovative utilization of the two institutions in the contemporary setup. IRTI is taking initiatives in all the dimensions mentioned above in the context of conducting in-house research as well as in the context of creating awareness about these issues in Muslim countries and Muslim communities through seminars and conferences.

iii. Issues Related to the Islamic Financial Industry

The year 1427H witnessed the growth of the Islamic financial industry in various sectors and areas. There were various issues that are of interest to the sound growth of the industry. Some of these are discussed below.

a. Balancing financial engineering with genuineness of Islamic finance

One of the strategic objectives of IRTI is the development of Islamic Economics and Finance as scientific academic discipline. In this area, the genuineness of Islamic finance as an alternative to conventional finance remained a subject of heated debate among Islamic economists and *Shari'ah* scholars. The discussions centered around the limitations that shall be considered in undertaking genuine financial engineering. The development of *"tawaruq"*, the innovation of several forms of hedging instruments, the benchmarking of Islamic products with the market and the fairness of Islamic financial services provide the necessary background for such debates. The ultimate challenge is to continue showing real genuineness for Islamic finance while at the same time remaining competitive in the rapidly changing regulatory, market and technological environment.

b. Public policy relevance of Islamic finance

Another major issue in current debates has been the growing interest shown in Islamic finance by policy makers. During the last year, Singapore and United Kingdom strengthened their public policy support to Islamic finance by introducing reforms in the tax and legal frameworks within the existing regulatory and licensing systems. This is seen to have far reaching significance as the two systems are seriously being replicated in other jurisdictions paving the way for wide scale application of public policy reforms in several countries including China and Japan. Such change of policy is reflected in the growing membership in the IFSB by non-member countries of IDB.

c. Financial inclusion

Despite substantial progress in Islamic finance, the services it provides have not reached the poor. This reality coupled with the worldwide emphasis on microfinance has further made it imperative for the Islamic financial institutions to undertake strategic changes and make their services relevant for the general public. In the near future this subject is expected to generate further interest and is likely to transform the strategies of the industry players.

d. Financial transparency and stability

Transparency, soundness and stability of the Islamic financial institutions has remained the key concern and will indeed continue to be so in the medium term. Major progress has been made by the Islamic financial infrastructure institutions in developing the core standards that provide the basis for ensuring financial stability. The future challenge will remain in the updating of these standards and their proper and effective implementation. IRTI has played a key role in the first phase and will continue to play so in the second phase.

iv. Information Challenges

IRTI is faced with three main issues for its reform within the global IDB Group Reform. The first is the distance learning program as a joint collaborative effort between IRTI and affiliated universities/institutions. The challenge is to extend the program to cover a spectrum of courses in Islamic Economics and Islamic Banking & Finance to more institutions in member countries and outside member countries such as Australia, China, Canada and USA.

The second is the knowledge initiative on IRTI's Role for IDB to be a Knowledge Bank which is a real challenge as it requires structured planning, collaboration and tremendous effort for its creation, implementation and dissemination. For this initiative, IRTI has got to create the right knowledge context which would cover the daily activities, common practices and the strategic objectives of IDB Group.

Lastly, creating a global image of IRTI by promoting and marketing IRTI products and services. This will cover the following areas: promoting strategic dialogue among member countries on key issues of common interest; facilitating practical application of Islamic Economics, Banking and Finance; developing Islamic Economics, Banking and Finance as scientific disciplines; and strengthening financial position of IRTI in the globe.

(Footnotes)

[1] The efforts of such conventional economists is grouped under the title of "Heterodox Economics".

[2] IDB Prize Laureate in Islamic Economics for 1425H Dr. Abbas Mirakhor delivered a thought provoking lecture in IRTI on this subject and this has been published by IRTI in its IDB prize lecture series.

Chapter Two

Strategic Dialogue



CHAPTER 2

STRATEGIC DIALOGUE

2.1. INTRODUCTION

During 2005, the IDB Group adopted its Strategic Framework and prepared Strategic Plans to achieve the Group Strategic Objectives. Accordingly, in line with the IDB Group objectives, the Institute identified five strategic objectives. These are:

- Compiling, systematizing and disseminating financial, socioeconomic and trade related statistics concerning member countries;
- Establishing networking and partnership with member country institutions and international organizations and developing synergies within the IDB Group in key areas of interest to IRTI;
- Facilitating the practical application of Islamic economics, banking and finance;
- Development of the academic discipline of Islamic economics, banking and finance;
- Strengthening the Institute's financial position through business development, marketing, rationalizing costs and enhancing internal processes and endowment development.

2.2. WORKING GROUPS

In the light of its approved Strategic Plan for 2005-2010, IRTI focused, *inter alia*, on establishing a strategic dialogue, with the aim of bringing together the experiences of centers of excellence and outstanding individuals in key areas of importance to the IDB Group with an objective to discuss, analyze and recommend practical solutions in commonly felt needs. In this context, IRTI established various Working Groups. Brief description and activities of these Working Groups and other activities related to strategic dialogue undertaken by IRTI during 1427H are given below.

2.2.1. Working Group on Poverty Alleviation

The IRTI Working Group on Poverty Alleviation held its first meeting on 01-02 May 2006. 22 IDB Member countries in Sub-Sahara African Region were invited to work on this group. Twelve countries responded. Among them only nine member countries namely, Cameroon, Djibouti, Guinea Conakry, Gambia, Mali, Mauritania, Senegal, Togo and Chad attended the first meeting. IMF representative could participate in this meeting on the invitation of IRTI. The meeting discussed the working paper which was prepared by IRTI. In the meeting three case studies on the experiences of applying *Zakah* with reference to its role in poverty alleviation were also presented on Saudi Arabia, Kuwait and Malaysia.

The participants appreciated the potential of the institutions of *Zakah* and *Awqaf* in fighting poverty and there was a general agreement on the need to use these institutions to mobilize additional resources for poverty reduction strategies and hence to accelerate the process of poverty alleviation. It was, however, emphasized that the subject should be studied in depth. In-depth studies particularly were emphasized in the following areas :

- Developing suitable models of collecting and disbursing *Zakah* that would be appropriate and consistent with the existing legal systems as well as social, political and economic realities in contemporary Muslim countries.
- Studying legal and infrastructural requirements that would be conducive for the promotion and development of *Awqaf* institutions.

- Developing models for supervising and monitoring the operations and performance of the institutions of *Zakah* and *Awqaf*.
- Designing a system for collecting statistics on activities (including those relating to mobilization and disbursement of resources) of the institutions of *Zakah* and *Awqaf*.

The participants also emphasized the need for assessing political response to the concept. The participants from member countries agreed to prepare status report with respect to *Zakah* and *Awqaf* activities in their respective countries and potential political and administrative issues that may arise in making *Zakah* and *Awqaf* a part of economic policy.

A follow-up meeting was agreed to be held as soon as substantial work, mentioned above, was completed by IRTI and the participants from member countries.

2.2.2. Working Group on Islamic Financial Sector Development

The demand for Islamic financial services is growing in several jurisdictions worldwide and these services are becoming systemically significant in several jurisdictions. The Working Group on Islamic Financial Sector Development has been established to *promote strategic and policy dialogue* for the orderly development of the industry on sound footing. This initiative is expected to contribute to efforts in developing inclusive financial sectors and enhancing access to financial services. In this regard, a consultative meeting of the relevant institutions was held on March 30, 2006 in the premises of the Dubai International Financial Center. The meeting made a number of recommendations:

As regards objectives of the policy dialogue, the meeting emphasized that the process shall:

i. Facilitate orderly development of the industry with a view to enhance financial inclusion, access to financial services, soundness of institutions and markets and financial stability;
ii. Share country and institutional experiences in this regard;
iii. Promote consultation to facilitate national policy alternatives to develop appropriate Islamic financial infrastructure and encourage and facilitate the implementation of the various best practice standards developed for the industry;
iv. Pool technical, human and financial resources to concentrate on the provision of facilities that are most important for the development of the industry.

The meeting emphasized that to set an efficient, dynamic and sustainable future path for the industry, systematic and collaborative efforts through networking, dialogue and partnership are needed among the various stakeholders.

2.2.3. Working Group on Capacity Building

Given the IDB Group Strategic Objective of alleviating poverty, promoting cooperation among member countries and promoting Islamic financial industry, the Working Group on Capacity Building has made a comprehensive survey in order to access the training needs of IDB Member Countries. On this basis, the Group will discuss and analyze issues that fall in four main areas: First, the ways and means of assessing the training needs of IDB member countries. Second, the appropriate and best ways and means of satisfying the training needs of IDB Member Countries. Third, the most efficient way of implementing training activities in IDB Member Countries. Finally, the most efficient way of evaluating the impact of IRTI-implemented training programs. After analyzing these four questions, the Working Group will make recommendations on each of these items.

2.2.4. Working Group on Information and Communication Technology for Development (ICT4D)

The challenges which Member Countries (MCs) and business leaders are facing today in response to the development of information and knowledge infrastructures are immense. As IRTI is a member of the IDB Group and in order to fulfill its role to IDB and to the member countries in the light of the Vision 1440H adopted by IDB, it has a proactive role to establish the Information and Communication Technologies for Development (ICT4D) Working Group. The purpose of creating a working group on ICT for Development (ICT4D) is to identify the main issues confronting MCs and business leaders in the development of information infrastructures and infostructure by examining: the economic and social information and knowledge impact; the structural and policy requirements in developing databases and information systems; changes and solutions needed for regulatory frameworks; and international principles needed to develop global infrastructure and applications within the *Shari'ah* domain.

The consultative meeting of the Information and Communication Technologies for Development (ICT4D) Working Group took place on 1-2 November 2006 in Putrajaya, Malaysia. The meeting was jointly conducted by IRTI and the Multimedia Development Corporation (MDeC) at the premises of MDeC. Around 15 participants from renowned organizations attended. Representatives from United Nations Development Program (UNDP), International Development Research Centre (IDRC), Islamic Educational, Scientific and Cultural Organization (ISESCO), Global Knowledge Partnership (GKP), Multimedia Development Corporation (MDeC), Multimedia Super Corridor Technology Center (MSCTC) and the Director of the Information Technology Department at IDB also attended the meeting.

2.3. ISLAMIC FINANCIAL INDUSTRY DEVELOPMENT FRAMEWORK DOCUMENTS

As mentioned above one of the major initiatives introduced by the IRTI Strategic Plan is the promotion of Policy Dialogue. In this regard, in order to facilitate the work of the Working Group and Forum, the Institute in collaboration with the relevant partner institutions has initiated the preparation of framework documents covering different challenges of the Islamic financial services industry and the initiatives to redress those challenges. During 1426H-1427H, the Institute anchored the preparation of the "Ten-Year Framework for the Development of the Islamic Financial Services Industry", a joint initiative of the Islamic Financial Services Board and the Islamic Development Bank Group (See Box-1). To further implement this initiative, during 1427H, the Institute conceptualized work on the preparation of a "Framework and Strategies for Development of Islamic Microfinance Services".

BOX-1 TEN-YEAR FRAMEWORK AND STRATEGIES FOR DEVELOPMENT OF ISLAMIC FINANCIAL SERVICES INDUSTRY

VISION

Facilitating sustainable economic development and just social progress through a sound, efficient, progressive and resilient Islamic financial services industry.

MISSION

Development of a dynamic, comprehensive and innovative Islamic financial services industry, which closely supports real economic activities and is well integrated within the international financial system.

AIMS AND OBJECTIVES

1. Provide, for national authorities of IDB and IFSB members as well as other interested countries, a platform for sharing experiences and a general blueprint for considering the formulation of national and eventually regional master plans as part of the promotion of the IFSI in their respective jurisdictions so that economic development can be achieved side by side with justice, social progress and financial stability;
2. Identify the challenges facing the IFSI and suggest initiatives, ways and means through which the IFSI could interact with the conventional financial system and compete with it on equal terms;
3. Enhance the role of the IFSI in redirecting financial resources towards real investment and the creation of employment opportunities;
4. Provide a platform for policy dialogue among national, regional and international financial architecture institutions and industry players; and
5. Ensure free, fair and transparent operation of markets and the IFSI's profitability, growth, sustainability and competitiveness, and its successful integration into the rapidly changing international financial systems.

RECOMMENDATIONS

1. Facilitate and ensure the operation of free, fair and transparent markets in the Islamic financial services sector.
2. Enhance the capitalization and efficiency of Institutions offering Islamic Financial Services (IIFS) to ensure that they are adequately capitalized, well-performing and resilient, and on par with international standards and best practices.
3. Enhance the access of all population segments to financial services.
4. Ensure *Shari'ah* compliance and the effectiveness of corporate governance.
5. Develop the required pool of specialized, competent and high-caliber human capital and ensure utilization of state-of-the-art technology.
6. Promote the development of standardized products through research and innovation.
7. Comply with the international prudential, accounting and auditing standards applicable to the IFSI.
8. Develop appropriate legal, regulatory and supervisory frameworks that could effectively cater for the specificities of the IFSI and ensure tax neutrality between IIFS and their conventional counterparts.
9. Develop a comprehensive and efficient market infrastructures for the IFSI for inter-bank liquidity management, capital markets.
10. Promote the public's awareness about Islamic financial services.
11. Strengthen the international Islamic financial infrastructure institutions and enhance collaboration among them.
12. Foster collaboration among countries that offer Islamic financial services.
13. Conduct initiatives and enhance financial linkages to integrate domestic IFSIs with regional and international financial systems.
14. Implementation and follow-up of this Framework document should be carried out by a joint standing committee in consultation with the industry players and other stakeholders.

2.4. ISLAMIC FINANCIAL SECTOR FORUM

The Working Group Meeting on Islamic Financial Sector Development, held in Dubai, agreed to establish the Islamic Financial Sector Development Forum (IFSDF). The IFSDF is proposed to be an annual forum for Policy Dialogue based on the policy review document – IFSDR and is proposed to be organized during the meetings of the IDB Board of Governors (BOG). The objective of this Forum is to provide a technical and policy platform for sharing experiences of countries with regard to the development of the Islamic financial sectors in their respective jurisdictions. The Forum is expected to be instrumental in identifying the key challenges of the Islamic financial industry on an ongoing basis and in promoting cooperation between member countries in alleviating the challenges through concerted efforts thus facilitating the industry's development. The first Forum in this series was organized in Kuwait on May 27, 2006 during the IDB BOG meetings. In the Forum, Executives of the Islamic financial services deliberated on the challenges facing the industry and initiatives that are needed to redress them. The deliberations were conducted within the scope of the ten-year framework document for the industry.



Chapter Three

Knowledge Building in Islamic Economics, Banking and Finance



CHAPTER 3

KNOWLEDGE BUILDING IN ISLAMIC ECONOMICS, BANKING AND FINANCE

3.1. INTRODUCTION

One of IRTI's main objective is to increase and disseminate the body of knowledge on Islamic economics, banking and finance. This goal is achieved by undertaking various activities. Other than doing in-house research on various topics of interest, IRTI plays a facilitating role and uses various means to create knowledge in Islamic economics and finance. The activities undertaken by IRTI to contribute to Islamic economics, banking and finance during 1427H are discussed in this chapter.

3.2. RESEARCH

Various research activities of IRTI undertaken during 1427H are given below.

3.2.1. In-house Research

Four research projects were undertaken and implemented by researchers in IRTI in the year 1427H. Brief summaries of these research papers are given below :

i. "Islamic Law, Corporate Finance and Financial Development"

A large literature emphasizes the role of legal systems in enforcing private property rights, support for private contractual arrangements, legal rights of investors, etc. and their effects on financial markets. One theme in these deliberations is the effectiveness of legal systems in protecting outside investors that facilitates efficient corporate financing and growth enhancing financial development. While most of the empirical research work on the effect of legal system on financial development is related to variants of the civil and common law regimes, the research under study investigates the shareholder and creditor rights in Islamic law and discusses how these may affect financial markets. After identifying the main features of Islamic law vis-à-vis the western law, the rulings with respect to the rights of the stakeholders in debt and equity instruments are presented. A theoretical model shows that the protection of shareholders and creditors by legal system is an important determinant of not only patterns of corporate finance but also of the development of the debt and equity markets in different countries. The paper then discusses the Islamic perspectives on corporate bankruptcy and disclosure laws. The paper asserts that to increase the proportion of equity financing by corporations and the Islamic financial sector, the rights of the shareholders need to be significantly strengthened and protected. The structure and growth of the corporate sector and Islamic financial system would depend not only on detailing the *Shari'ah* principles for various aspects of contemporary corporations, but also on the necessary legal and informational framework and support institutions that can strengthen the investor rights, in general, and shareholder rights, in particular.

ii. Islamic Finance and the Challenges of Hedging (Occasional Paper 1427H) – also translated into Arabic and French

Risk taking is inevitable for economic progress. While excessive risk will hurdle investment and

deter growth, a total absence of it distorts incentives and deteriorates economic efficiency. Therefore balancing of risk is a challenge in both Islamic as well as conventional finance. The IDB-IRTI Occasional Paper No.10 explores the differences between Islamic and conventional methods of risk management and suggests some hedging methods compliant with *Shari'ah*. Islamic approach to risk management is that of integrating risk with real activity. In this approach risk cannot be traded separately from the ownership of real goods and services. Therefore, risk management is achieved by undertaking those economic activities that generate wealth at faster rate than the risk so that the evolving risk can be compensated. With this method economic growth and risk management go hand in hand. As opposed to this, the conventional finance adopts a separation approach, whereby risk can be separated from the real goods and services and independently traded. This creates a dichotomy in the objectives of wealth creation and risk management. Further, the commoditization of risk leads to its proliferation and disproportionate allocation leading to systemic instability. The paper then explores various possible hedging methodologies based on Islamic principles. It highlights three hedging methodologies: (i) Economic Hedging: which operate through creating a natural or a dynamic hedge (ii) Cooperative Hedging: which is based on cooperative and bilateral arrangement of adjustments to manage mutual risks and (iii) Contractual Hedging: which is based on combining different contracts or splitting the receivables in cash and kind to manage various kinds of risks.

iii. Islamic Economics in a Complex World: Explorations in Agent-based Simulation.

This paper introduces to researchers in Islamic economics a framework and a research tool. The framework is complexity theory, and the tool is agent-based simulation. The paper surveys this rapidly growing field, and how this alternative framework relates to the neoclassical discipline. The paper argues that the alternative framework and research technique might be more suitable to Islamic economics than their conventional counterparts. In addition to many examples frequently cited in the literature, the paper provides an application to Islamic economics that shows how *riba*, markup finance, and *Zakah* affect economic performance.

iv. Ten-Year Framework and Strategies for Development of Islamic Financial Services Industry

This research has jointly been undertaken by IRTI and the IFSB and other stakeholders who have played an anchoring role in drafting the document. The document (Box-1), which will be revised and updated periodically by its initiators, aims at providing a general framework that national authorities may find beneficial for designing Islamic Financial Services Industry (IFSI) development initiatives and integrating these in their national financial sector development policies. The document also aims at offering an integrated basis for promoting international policy dialogue among stakeholders towards fostering an orderly development of an efficient, sound, resilient and sustainable IFSI in the rapidly changing global market, and technological and regulatory environments.

The document comprises of four sections. The introductory section presents an overview of the past, present and expected future directions of the industry. The second section is captioned "A strategic landscape" and addresses in detail the challenges and opportunities of the various segments of the industry as well as the related financial infrastructure and architecture. Section III outlines the strategic objectives and proposed initiatives.

3.2.2. Compendium on Financial Products Found in *Fiqh* Literature

This is a 3-year (expected) project that started in May, 2005. The objective is to search classical resources of *fiqh* for financial products that can be potentially helpful in developing financial instruments for Islamic financial institutions. Phase-1 of the project includes scanning selected resources for financial products. This phase has been completed in November, 2006. Total scanned volumes are 87, with average 400 pages per volume, which amounts to about 35,000 pages. Total products extracted are 2750 products. These products are under review to select the most relevant to contemporary needs. The target is 1500 products. Phase-2 of the project has already started in May, 2006. It includes concise study of the products. The products are being prepared for publishing in order to obtain feedback from researchers and experts. This is scheduled to be done in 1428H.



3.2.3. Lectures and Papers Presented at Conferences/Seminars/Workshops

The professionals of IRTI made the various presentations in different seminars/conferences/ forums, training programs, and Distance Learning Courses in the year 1427H. A list of these presentations and lectures are given below.

i. Presentations at Conferences/Seminars/Forums

Paper	Venue	Date
1. Comments on Contracts and their Applications in the Banking Sector presented at the Conference on *Shari'ah* Supervision	Bahrain	January 2007
2. Banking Efficiency in Bahrain: Islamic vs Conventional Banks, presented at Islamic Banking and Finance Conference held	Beirut, Lebanon	February 2006
3. "Prohibition of Interest: Does it Make Sense?" at the New Delhi Seminar on "Justice and Equity: The Message of Islamic Banking"	New Delhi, India	18 February 2006
4. Lecture on "Islamic Finance" at a meeting of Eminent Muslim personalities of Jaipur, India	Jaipur, India	21 February 2006
5. Lecture on "The Islamic Vision of Development" at the Islamic Research Foundation, Bombay	Bombay, India	26 February 2006
6. Lecture on "Arab Economic Cooperation: Challenges and Opportunities" at the Islamic Chamber of Commerce and Industry, Bombay, India.	Bombay, India	27 February 2006
7. Management of *Awqaf*: Promoting its Supervision rules on the Lines of Contemporary Management with Special Reference to *Awqaf* in Europe presented in the seminar on *Awqaf* in Europe	Birmingham, UK	20-22 March 2006
8. Principles of Islamic Finance	Dammam	25-26 March 2006
9. Managing Risks of Capital, Liquidity and Return. Presented at the Seminar of Challenges Facing Islamic Financial Industry	Kuwait	27-29 March 2006
10. Lecture on the "Management of Foreign Exchange Risks through Hedging" presented at the 3rd International Seminar on "Challenges Facing the Islamic Financial Industry" organized by the IFSB, IDB and IRTI in Kuwait	Kuwait	29 March 2006
11. Principles of Islamic Finance	Riyadh	15-16 April 2006
12. Brief *Zakah* Rules and its Issues presented for 1st IRTI Working Group Meeting held in IDB Headquarters	IDB	1-2 May 2006

13. Major Features of Islamic Economics in the Economic Thought of Baqir al Sadr presentation in the Forum of Economic Thoughts of Baqir al Sadr held in Mufid University of Khum	Iran	May 2006
14. Completing the Thought on *Sukuk*: Sale of Debt with all its forms and Applications presented at the 17th seminar of OIC Fiqh Academy.	Jordan	June 2006
15. Paper on "Ethical/Socially Responsible Investment" at the British House of Commons as a part of the Conference on Islamic Finance organized in London by the World Muslim Congress.	London, U.K.	14 June 2006
16. Building Capabilities of Charitable Organizations for Memorizing the Holy Qura'n prepared for the President for presentation in the Second Forum for these organizations	Jeddah	20-22 August 2006
17. Lecturer at the Ibn Khaldun Conference in Madrid (Spain) on "Ibn Khaldun's Theory of Development : Does it Help. Explain the Low Performance of the Present-Day Muslim World"	Madrid, Spain	4 November 2006
18. "*Sukuk*: Looking for safe investment", presented in Dubai	Dubai, UAE	14-16 Nov. 2006
19. The Role of Islamic Financial Institutions and the Institutions Caring after the Minors in Promoting the Minors' Interests presented in the 1st International Conference organized in UAE on the Minors by the *Awqaf* and Minors' Affairs Institution	U.A.E.	November 2006
20. Financial Distress and Bank Failure: Relevance for Islamic Banks	Noshar, Iran	11 December 2006
21. Financial Distress and Bank Failure: Case Study of Ihlas Finans House, Turkey	Noshar, Iran	11 December 2006
22. A lecture on the "Islamic Vision of Development" at the Workshop of the KSA Knowledge Society in the Dural al-Arus.	Dural al-Arus, Saudi Arabia	13 December 2006

ii. Lectures given in Training Programs/Distance Learning Courses

Lectures	Venue	Date
1. "Islamic Vision of Development"	Jeddah	8 February 2006
2. Distance Learning lecture on "The Case Against Interest. Is it Compelling?"	Jeddah	14 March 2006

3.	Financial Engineering	Jeddah	11 April, 2006
4.	Liquidity Management in Islamic Banks	Jeddah	April 2006
5.	Hedging in Islamic Finance	Jeddah	18 July 2006
6.	Financial Distress and Bank Failure	Islamabad	25 July 2006
7.	Emerging Role of Financial Markets and Islamic Finance: An overview	Jeddah	17 September 2006
8.	Hedging Instruments (part of Capital Markets Course)	Jeddah	19 September, 2006
9.	Islamic Capital Market, lecture in Training Course to IDB staff in IRTI training program	IDB	September 2006
10.	Distanced Learning Lecture on :"Comparative Economic Philosophies and Economic System"	Jeddah	3 October 2006
11.	Simulation in Islamic Economics	Jeddah	10 October 2006
12.	Introduction to *Sukuk*, (part of *Sukuk* Course)	Khartoum, Sudan	3 November, 2006
13.	Introduction to *Sukuk*, (part of *Sukuk* Course)	Jeddah	18 November, 2006
14.	a."What is Islamic Economics"? b."Islamic Financial System in Comparison with the Conventional Financial System" c. "Islamic Financial Industry Challenges and Opportunities"	Baku, Azerbaijan	27-28 November 2006
15.	Teaching Corporate Finance from an Islamic Perspective	Jeddah	5 December 2006
16.	Islamic Product Development	Riyadh	9-11 December 2006
17.	Islamic Indices, lecture in IRTI Distance Learning Program	IDB	

3.2.4. Mobilization of External Expertise

IRTI has various means of encouraging and generating research from outside IRTI. This is done by mainly organizing conferences and seminars and inviting external scholars to contribute. During 1427H, a total of 123 papers were presented in various conferences and seminars organized by IRTI. Of these, a total of 52 papers were presented on Islamic Economics and 71 papers and presentations were made on Islamic Banking and Finance.

3.2.5. IRTI Lecture Series

As a part of its awareness and knowledge dissemination activity, IRTI organizes various lectures for IDB staff members. Brief information on such a lecture is given below :

IDB Prize Lecture

The Winner of the IDB prize is invited to deliver a lecture at the IDB headquarters each year. The lecture is held before an invited audience, which includes a large number of scholars, researchers, academicians, social workers and diplomats. In 1427H, Professor Shawqi Dunya, IDB Prize Laureate for 1425H in Islamic Economics delivered a lecture on "Economic Perspective in the Holy Quran".

3.3. TEXTBOOK AND CURRICULUM DEVELOPMENT

The Handbook on Islamic Economics entitled "**Anthology of Islamic Economics, Vol. I, Exploring the Essence of Islamic Economics**" has been completed and submitted to the Academic Committee for review. This volume is organized into four parts. Part-I deals with the theme on Nature and Significance of Islamic Economics, containing four articles. Part-II: History and Methodology includes three articles, while Part-III on *Shari'ah* and *Fiqhi* Foundation has six articles. Part-IV on Islamic Economic System contains five articles. The Handbook on Islamic Economics entitled "Anthology of Islamic Economics, Vol. 2 Theoretical Issues" is in progress. The Vol. 2 is being organized into three parts: Part-I on the Survey of Contemporary Literature including one article, while Part-II on Microeconomics contains 12 articles. Part-III provides with nine articles. A workshop on Textbooks was held in IDB Headquarters to materialize the project with some universities. The Division pursues the activity on the project as a follow-up of the workshop.

3.4. PUBLICATIONS

3.4.1. Journals (IES and DII 2 Volumes)

The *Islamic Economic Studies* journal is published biannually outlining the research activities in Islamic Economics, Islamic Banking and Finance. During 1427H, Arabic and English versions were published. A brief outline of the papers published in these journals are given below.

***Drasat Iqtisadiyyah Islamiyyah*, Vol. 13, No. 1.**

This volume had the following two articles.

"Proposed Model for Measuring Risks in Islamic Economics"

The paper examines types of risk that Islamic banks are exposed to, and develops a set of quantitative measures to identify and characterize these risks. These measures are supported by a survey distributed to get a sample of Islamic banks.

"Evaluation of Selected Current Textbooks in Islamic Economics"

The paper evaluates three current textbooks in Islamic Economics widely used in Arab universities. The paper develops a set of criteria for evaluation and applies these criteria to selected books. The paper also provides results of a survey that has been distributed in Yarmooq University. The paper invites researchers to expand this study by evaluating larger sets of textbooks used in teaching Islamic Economics, and developing proper measures for textbooks in this field.

Islamic Economic Studies, Vol. 13, No. 2.

This volume included following three articles:

Islamic Banking and Finance in Theory and Practice: A Survey of State of the Art

The practice of Islamic finance significantly departs from its theory. The survey addresses the causes of the dichotomy and offers alternative research approaches and themes that may in future facilitate convergence of the practice with the theoretical aspirations - a transformation from merely meeting the criteria of legality to that of achieving the objectives of Islamic law

The X-Efficiency in Islamic Banks

This paper investigates relative efficiency of the Islamic banking industry in the world by analyzing a panel of banks during the period of 1995-2001. Both parametric (cost and profit efficiency) and nonparametric (data envelopment analysis - DEA) techniques are used to examine efficiency of these banks. Five DEA efficiency measures such as cost, allocative, technical, pure technical and scale efficiency scores are calculated and correlated with conventional accounting measures of performance. The results indicate that, on an average, the Islamic banking industry is relatively less efficient compared to their conventional counterparts in other parts of the world. The results also show that these efficiency measures are highly correlated with Return on Assets (ROA) and Return on Equity (ROE), suggesting that the efficiency measures can be used concurrently with conventional accounting ratios in determining Islamic bank performance.

Islamic Law, Adaptability and Financial Development

A large literature contends that legal systems that adapt efficiently to meet the contracting needs of the economy foster financial sector development. The paper discusses the adaptability features of Islamic law related to commercial transactions (Islamic commercial law) in light of contemporary financial system. After discussing the nature and way the common and civil law traditions can evolve, the paper discusses the history and the adaptability features of Islamic law. Given the principle of permissibility, Islamic commercial law can evolve within the limits imposed by *Shari'ah*. Recent history of the growth of the Islamic financial sector based on new rulings of *Shari'ah* scholars is an indicator of the adaptability of Islamic law to changed situations. While Islamic law can evolve, other elements of the legal infrastructure like laws and statutes and dispute settlement institutions also need to be strengthened. The adaptability features of Islamic law along with the strengthening the legal infrastructure are vital components of the development of the Islamic financial sector.

3.4.2. Published Proceedings from Research Seminars/Conferences

i. Islamic Financial Architecture: Risk Management and Financial Stability (Seminar Proceedings No. 46).

Financial architecture refers to a broad set of financial infrastructures that are needed for establishing and sustaining sound financial institutions and markets. These include an effective supervisory system, credible standards of best practices in risk management, internal control systems, disclosures and corporate governance. This set also includes the required macroeconomic preconditions of financial stability, sound domestic institutions, institutions that set international standards and organizations concerned with financial stability.

Islamic banking and finance has become systemically significant in several countries. As an alternative to traditional banking, Islamic banking has the inherent characteristics which can contribute to the efficiency and stability of the international banking and financial systems. Efficient risk management within individual banks, prudential regulation and effective supervision can be highly instrumental in enhancing the efficiency and stability of Islamic banks.

In this vital area the Islamic Research and Training Institute (IRTI), a member of the Islamic Development Bank (IDB) Group, has introduced several initiatives. This volume presents the proceedings of the *International Conference on Islamic Banking: Risk Management, Regulation and Supervision*, that was jointly organized by IRTI, the Bank Indonesia, and the Ministry of Finance, Republic of Indonesia, held in Jakarta during September 30 – October 2, 2003. The volume is organized in seven parts : i) Key Policy Guidelines, ii) Financial Stability, iii) Financial Infrastructures Institutions, iv) Corporate Governance and Transparency, v) Risk Management, vi) Market Discipline and Efficiency and vii) Product Development and Legal Framework.

ii. Islamic Banking and Finance: Fundamentals and Contemporary Issues (Proceedings of the Conference in Brunei, 2004)

Islamic finance is growing fast. This progress has brought to fore a number of practical issues and challenges. While much of the research in the industry is focused on the immediate concerns, long-term direction setting basic research is getting less attention. This book balances between theory and practice in brining together selected papers from a recent International Conference on "Islamic Banking and Finance: Fundamentals and Contemporary Issues" held in Brunei.

The book is divided into four parts. Part-One deals with the fundamentals and the issues faced by Islamic finance at theoretical level. Topics in this part incorporate Islamic banking theory, options contracts, and an analysis of possible sources of financial distress in Islamic banks. Part-Two addresses to the empirical issues of performance evaluation of Islamic banks, of equity funds and the attitude of bank customers. Part-Three focuses on legal issues in the practice of Islamic finance in Malaysia and Indonesia. Part-Four gives an overview of the Islamic banking efforts in Brunei. It is hoped that the book will be of interest to the academics and the practitioners in the field. Students of Islamic economics and finance will also find it useful.

3.4.3. Abstracts of Publications

During 1427H, IRTI published various research papers and monographs and publications related to research. In addition, 19 publications are in the pipeline. A brief description of the research papers published in 1427H are given below.

i. Hedging in Islamic Finance

For abstract see Section 3.2.1.

ii. Reconciliation of Fuqaha Differences in Muamalat

The book discusses how to reconcile the *fuqaha* differences in *Muamalat*. The topic has been classified into two parts. The first part explains the meaning of reconciling the *fuqaha* differences in *Muamalat*, the evidence on the permissibility of *fuqaha* differences and its rules, the benefits for the Ummah from the *fuqaha* differences, the differences categories and the reconciliation rules for each category, then the necessary conditions for each reconciliation rule. The second part is devoted to highlight the situations when the *fuqaha* (from the four *'Mazahab'*) gave fatwa different from their *'Mazhab'* in order to reconcile a difference.

iii. Corporate Governance in Islamic Financial Institution (in Arabic) (translation)

The study surveyed corporate governance issues in Islamic financial institutions at three levels: regulators, Islamic banks, and depositors. We are grateful to all regulators as well as Islamic banks who responded to our questionnaires by mail. The regulators were from Algeria, Azerbaijan, Bahrain, Bangladesh, Indonesia, Jordan, Kuwait, Kyrgyz Republic, Malaysia, Qatar, Saudi Arabia, Sudan, Turkey and UAE.

iv. IRTI Publications Directory

The IRTI Publications Directory contains the book profiles and the price of IRTI publications in the Bank's three languages (Arabic, English and French). The publications consist of several categories such as proceedings of seminars and training courses, in-house research papers, lectures delivered by the IDB Prize winners and eminent scholars invited by IRTI, and Islamic economics translation series.

3.5. DISTANCE LEARNING COURSES

In the Distance Learning Program (DLP), IRTI is using the Global Development & Learning Network (GDLN) which is a worldwide partnership of Distance Learning Centers (DLCs). Its unique facilities offer the opportunity for on-time and cost-effective information exchange, knowledge sharing, coordination, consultation, training, and dialogues to organizations, groups, University and Institutes. DL services provide a flexible learning & knowledge sharing system using two-way interactive connections through advanced communications technologies. The IRTI DL is an active node in a global network of training centers through the World Bank Institute's Global Development and Learning Network.

The IDB Group realized that Distance Learning (DL) is affordable, saves time, and produces measurable results. It is more cost effective than traditional learning.

During 1427H, IRTI conducted the 3rd and 4th Distance Learning Courses on *Current Issues in Islamic Finance* (Fall 1427H, September 2006) and *Lectures in Islamic Economics* (Spring 1427H, March 2007). Six affiliated Institutions, namely; International Institute of Islamic Economics of the International Islamic University (IIU), Pakistan, Imam Ouzai University, Lebanon, Imam Sadiq University, Iran, Markfield Institute of Higher Education, UK, Islamic Financial Services Board (IFSB), Malaysia, and Moamalat Institute, Indonesia participated in the program.

In addition, a set of four lectures were delivered in this special course directed towards graduate students in Islamic Banking program of IIU and the Islamic banking professionals and government officials. The lectures covered risk management in Islamic banks, hedging, financial distress and lessons in its management.

3.6. CONFERENCES AND SEMINARS

IRTI organizes various research conferences/seminars/forums to encourage writing on various issues of Islamic Economics, Banking and Finance. The objective of organizing these events is to produce literature that can be published as proceedings. A brief summary of the research conferences and seminars organized by IRTI during 1427H is given below:

i. International Conference on "Ibn Khaldun's Economic Contribution"

It was held in Madrid, Spain on 3-5 November 2006. IRTI was represented in the conference by a team of researchers headed by its Acting Director. The conference was jointly sponsored by the Universidad Nacional de Educacion a Distance (UNED), Madrid, Spain, the Islamic Educational, Scientific and Cultural Organization (ISESCO), Rabat, Morocco, Islamic Cultural Centre of Madrid, Fundacion El Legado Andalusi, Madrid and Islamic Research and Training Institute (IRTI). The conference was organized in eight sessions including the concluding event. These sessions presented and discussed 24 papers, eight of which were in Spanish language and 13 in English and three in Arabic. All the presentations were followed by discussions conducted by respective chairmen. IRTI Acting Director chaired one business session and its two participating researchers presented their papers and discussed several others.

The conference recommended, among others, promoting mutual understanding and respect between nations, sharing experiences in the areas of science, education and knowledge, and strengthening the scientific, economic and commercial cooperation between our nations; encouraging universities and research centers to explore the economic contributions of Ibn Khaldun and to include Ibn Khaldun's thought in their curriculum. It also recommended translating accurately the Arabic version of Al Muqaddimah with particular emphasis on the meanings of terminologies and conceptions put forward therein through a team of multidisciplinary experts

ii. Seminar on "Awqaf in Europe"

The seminar co-sponsored by IRTI, Kuwait Awqaf Public Foundation, Europe Trust, Al Aman, Al Burag and Bank of Ireland was held in Birmingham, UK on 20-23/03/2006. The seminar aimed at looking at the concept of *Waqf* and its origin and how it evolved over time and how it has been used in Europe to enable citizens to contribute to their societies and drafting the future plans for the Europe Trust to serve the needs of Muslim communities there. The seminar was organized for three days in 12 business sessions where nine

papers were presented on theoretical and juridical aspects of *Awqaf* and case studies were presented exposing *Awqaf* experiences in Eastern Europe including Bosnia, Macedonia, Russia, Ukraine, Hungary and Romania and in Western Europe including UK, Germany, Greece, Belgium, Finland, Holland, Sweden and Norway. The last day was devoted to suggesting the way forward for the promotion of *Awqaf* on which seven presentations were made by different scholars.

iii. First International Forum on Islamic Economics, Finance and Business for Young Scholars

This Forum was organized in collaboration with the Faculty of Business at Universiti Teknologi, Mara, Malaysia. The Forum aimed at providing a forum for the young Muslim scholars to present their research findings, work in-progress and new ideas in the areas that are of interest and will benefit the Muslim World. The Forum was attended by young scholars from Malaysia, Morocco, France and the United States. Presenters included scholars from Australia, Indonesia, UK, Kuwait, USA and Sudan. The Forum was run for a period of three days:18-20 April 2006 on the themes of Economics, Finance, Management and Law and Takaful in six sessions. The keynote speech was delivered by Dr. Anas Zarqa. A total of 15 presentations were made in the Forum.

iv. Second International Conference on Islamic Banking: Risk Management, Regulation and Supervision

The Conference was held in collaboration with Islamic Financial Services Board (IFSB) and Bank Negara Malaysia during 8-9 Muharram 1427H [7-8 February 2006] in Kuala Lumpur, Malaysia. This is the second conference organized by IRTI in the series. The main objective of the Conference was to provide a Forum for academicians, business practitioners, regulators and policy makers to discuss the matters relating to soundness of Islamic financial institutions by addressing the issues of Risk Management Regulation and Supervision. A total number of 27 papers and presentations were made in the Conference. Selected papers were printed and distributed among the 180 participants of the Conference.

v. 3rd Seminar on 'Challenges Facing Islamic Financial Services Industry

The seminar was organized in collaboration with Islamic Financial Services Board (IFSB), Malaysia, during 28-29 Safar 1427H [28-29 March'06] in Kuwait. The objective of the Conference was to address most important challenges being faced by the Industry at present. Eight papers and presentations were made to the Conference addressing the issues of challenges of fixed and floating interest rate, Swaps, faced by Islamic banks as well as *Sukuk* provides, the challenge of hedging, challenges of financial engineering in particular, product development utilizing the combination of contracts.

vi. Roundtable Discussion on Shari'ah-based Risk Mitigation Techniques

Organized by IRTI, IFSB and Central Bank of Sudan held during 29-30 Dhul Qa'da 1427H (20-21 December 2006) in Khartoum, Sudan. The objective was to address the *Shari'ah* issues in Risk Management, especially rate of return risk and foreign exchange risk and the possible *Shari'ah* compliant hedging techniques.

vii. Seminar on "Islamic Financial Engineering: Its Challenges and Opportunities"

The seminar was held at the University Islam Indonesia, Yogyakarta, Indonesia during 19-20 Dhul Hajj 1427H [9-10 January 2007], University Islam Indonesia (UII) was the local organizer while IRTI sponsored the activity by providing three resource persons for three presentations and three workshop

sessions. The three presentations were on Basics of Financial Engineering, Regulations for Islamic Financial Engineering and Financial Engineering - an Islamic Perspective. The three workshops were on Islamic Derivative Securities to Manage Risk, Hedging and Hedging Products and *Ijarah Sukuk*, Structures and Prospects.

The seminar was attended by over 140 participants who included students, faculty members and finance professionals from banking and non-banking institutions as well as from the government ministries.

viii. Conference on Islamic Capital Markets

It was held in Karachi, Pakistan, 4-5 Muharram 1428H (24-25 January 2007). The conference was organized in collaboration with International Islamic Financial Market (IIFM), Bahrain. The conference, inaugurated by the Governor of State Bank of Pakistan, was focused on (i) *Sukuk* and Liquidity Management and (ii) Islamic Real Estate Investment Trusts (I-REITs). It involved a significant number of speakers from across international and local Islamic financial industry, regulators as well as *Shari'ah* advisors. Large number of participants attended (about 250 in the conference and 150 in the workshops) representing a wide range of private and public financial institutions. IRTI staff's direct contribution in the conference was to: (i) bringing in the 10-Year Framework document for discussion and comments of the industry participants with the involvement of financial sector regulators of the country (State Bank of Pakistan and the Securities and Exchange Commission) into the thinking process for industry's development. (ii) A presentation on "New *Sukuk* Products: A Case for Micro-Finance Sector". The presentation explored the possibility of short-term *Sukuk* based on the assets of Islamic micro-finance institutions which can facilitate liquidity management by IFIs.

3.7. MOBILIZATION OF EXTERNAL EXPERTISE

IRTI has various programs for research facilitation and appreciation to encourage research in Islamic economics, banking and finance. A summary of these activities are given below.

3.7.1. Encouragement and Promotion Program

The objective of this program is to promote such academic activities and efforts which are considered essential for the achievement of the purpose of the Bank and IRTI through encouraging innovative research by external scholars, researchers and institutions in Islamic economics, banking, finance and related areas.

3.7.2. IRTI Scholarship Program

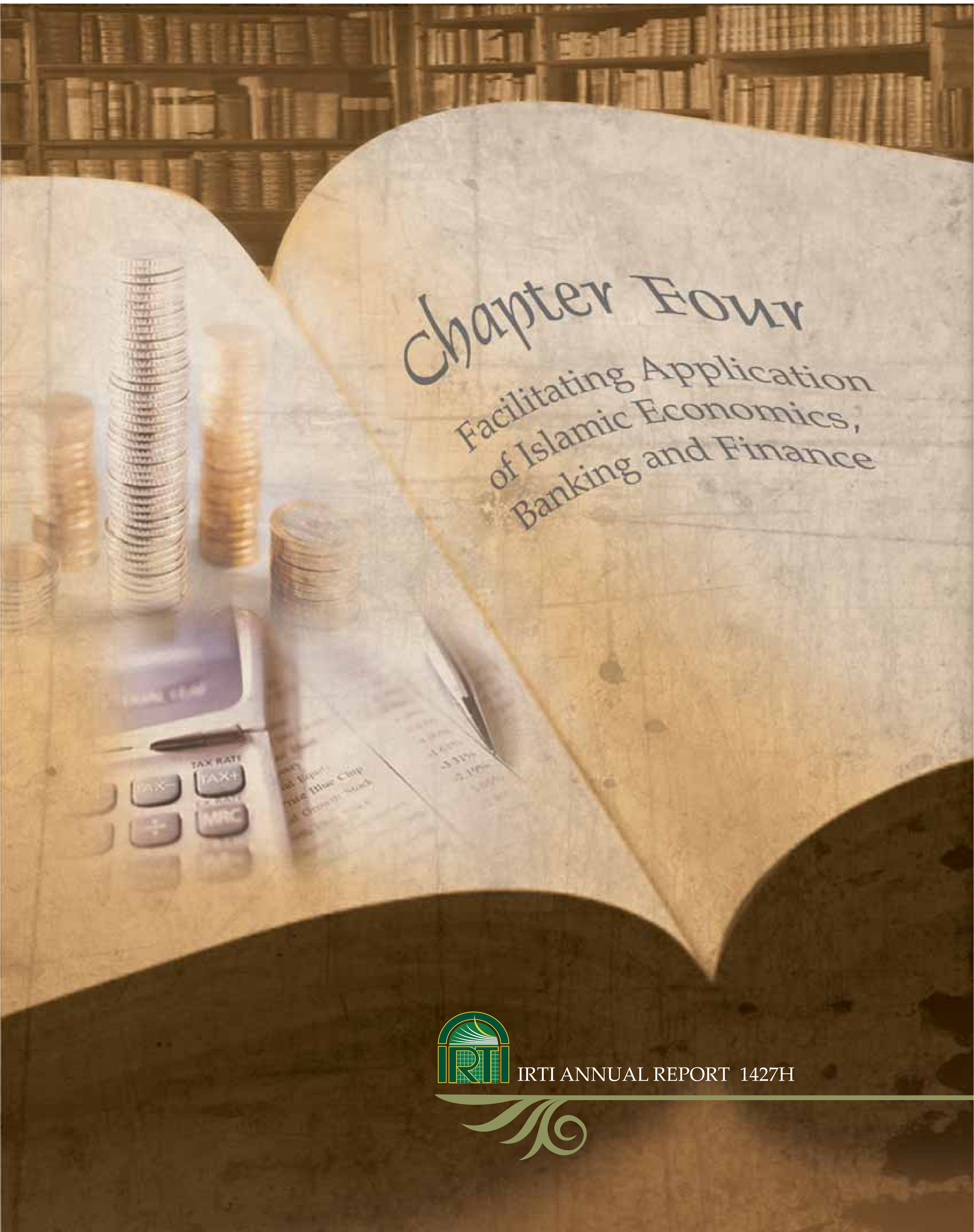
Within the framework of its Encouragement and Promotion Program, IRTI has launched a scheme to support PhD programs in Islamic economics, banking and finance. This scheme aims at providing partial financial support including IRTI publications to PhD scholars. During 1427H, some requests were received but no scholarship was given as the criteria was not met.

3.7.3. Visiting Scholars' Program

The objective of this program is to promote such academic activities and efforts which are considered essential for the achievement of the purpose of the Bank and IRTI through encouraging innovative research by external scholars, researchers and institutions in Islamic economics, banking, finance and related areas.

Chapter Four

Facilitating Application of Islamic Economics, Banking and Finance



CHAPTER 4

FACILITATING APPLICATION OF ISLAMIC ECONOMICS, BANKING AND FINANCE

4.1. INTRODUCTION

In addition to Knowledge Building as reported in Chapter 3, IRTI is actively involved in programs that enable the use of this knowledge in various fields. The application of knowledge is done by organizing conferences, workshops and training programs, and providing technical assistance and consultancy.

4.2. DISSEMINATION OF APPLIED KNOWLEDGE

4.2.1. Conferences and Seminars-applied

Seminar on 'Islamic Capital Markets' (Jeddah held during 24-27 Sha'ban 1427H (17-20 September 2006):

It was organized for the training and orientation of IDB staff. Twenty-four staff members attended this course consisting of 12 lectures and case-study sessions. The course was designed with the objective that on completion of the course the participants would :

- Have an overview of the institutional structure and workings of the capital markets
- How Islamic capital market instruments compare with conventional ones
- Understand some techniques and tools used by capital market players
- Know the unexplored areas from Islamic perspective
- Have information on recent trends in the capital markets

4.2.2. Training Courses and Workshops

In compliance with the Strategic Objective of enhancing Islamic financial industry, and with the view to contribute in transferring applied knowledge in this field, IRTI has conducted the following training programs in IDB Member Countries.

i. Course on "Investment Funds Compatible with Shari'ah", Kuwait

The course on *"Investment Funds Compatible with Shari'ah"* was organized in Kuwait City, Kuwait in collaboration with the Institute of Banking, SAMA, Saudi Arabia and the Institute of Banking Studies, Central Bank of Kuwait during the period from 06-09/01/1427H [05-08/02/2006]. The course was designed for executives working in Islamic Investment Funds in Kuwait and the main objective of the course was to familiarize the participants about *Shari'ah* governing operations of Islamic Investment Funds. It was attended by 18 local participants.

ii. Course on "Shari'ah Rules Governing Banking Operations and their Applications in operations of Saudi British Bank", Dammam (iii) Jeddah (iv) Riyadh, Saudi Arabia

The course on *"Shari'ah Rules Governing Banking Operations and their Applications in operations of Saudi British Bank"* was a fee-based course which was organized in collaboration with the Institute of

Banking, SAMA, Saudi Arabia in Dammam, Jeddah and Riyadh, Saudi Arabia during the period from 25-26/02/1427H [25-26/03/2006], 10-11/03/1427H [08-09/04/2006] and 17-18/03/1427H [15-16/04/2006] respectively. The course was designed for the bankers working in the Islamic Banking Unit of the Saudi British Bank, and the main objective of the course was to study *Shari'ah* Foundations of Banking Operations with special reference to application of Islamic banking products in the case of Saudi British Bank and to train participants on practical cases of applying *Shari'ah* based banking services in the Saudi British Bank. 43 Bankers from Saudi British Bank participated.

iii. Course on "Islamic Banking Operation", Syria

The course on *"Islamic Banking Operation"* was organized in Damascus, Syria in collaboration with the Central Bank of Syria from 04-08/03/1427H [02-06/04/2006]. The course was developed for high officials and researchers of Central Banks of Syria. The key objective of the course was to make participants from commercial and financial institutions acquainted with the Islamic banking operations and enable them to develop their skills in the field. 41 local participants benefited from this course.

iv. Course on "Securitization and its Applications in Islamic Banking", Jordan

The course on *"Securitization and its Applications in Islamic Banking",* was organized in Amman, Jordan in collaboration with the Institute of Banking Studies, Jordanian Central Bank during the period from 25-29/03/1427H [23-27/04/2006]. The targeted audience for the course were bankers from central banks, commercial banks and financial institutions belonging to Arab Countries. The key objective of the course was to study *Shari'ah* Principles governing issuance, negotiation and redemption of Islamic Financial Certificates; Macro Framework of Structuring Islamic Financial Certificates; Institutional, Legislative and Administrative Set-up relevant to Islamic Securitization and share views on some case studies of *Sukuk* issued by some Government and Corporate Entities in IDB Member Countries. It was a fee-based course which was attended by 30 participants that included 20 local participants and 10 international participants.

v. Course on "Sukuk and their Applications in Islamic Banks", Sudan

The course on *"Sukuk and their Applications in Islamic Banks"* was organized in Khartoum, Sudan in collaboration with the Higher Institute of Banking and Financial Studies, Sudan during the period from 13-18/10/1427H [04-09/11/2006]. The course was formulated for the Staff from Sudanese Banks, in general, and from treasury units of Sudanese Banks, in particular. The central aim of the course was to investigate the origins and *Shari'ah* foundations of *Sukuk*; explain the role and importance of *Sukuk* as sources of financing development projects; study the role that *Sukuk* may play in developing the Capital Markets in IDB Member Countries; explore experience of Sudan in *Sukuk* Applications and to share views on practical implementation and implications of using *Sukuk* as a source of funding by both governments and private sector in IDB Member Countries. 32 participants from different Sudanese banks participated.

vi. Course on "Accounting and Auditing Standards in Islamic Financial Institutions", Syria

The course on *"Accounting and Auditing Standards in Islamic Financial Institutions"* was organized in Damascus, Syria. It was organized in collaboration with the Central Bank of Syria during the period from 20-24/10/1427H [11-15/11/2006]. The course was structured for the staff of Central Bank of Syria as well as other Syrian Banks. The main idea of the course was to train the participants with respect to the basics and standards of Islamic Accounting and to introduce the participants to the methods of developing Accounting Standards to conform to the requirements of Islamic financial institutions and building capacity of the participants in this specialized area. 36 local participants benefited from this course.

vii. Course on "Sukuk as Sources for Financing Development Projects", IDB Headquarters, Jeddah

The course on *"Sukuk as Sources for Financing Development Projects"* was organized at IDB Headquarters, Jeddah. It was an internal fee-based course which was organized in collaboration with the Human Resources Management Department of IDB during the period from 27/10-01/11/1427H [18-22/11/2006]. The course was formulated for the different departments of IDB Staff especially Yong Professionals (YP). The main objective of the course was to investigate the origins and *Shari'ah* Foundations of *Sukuk* and to study in details *Sukuk* Offerings of some leading Islamic Banks and Corporations in the Gulf Region as well as to study in details the IDB Experience in Offering *Sukuk*. 19 participants from different departments of IDB attended this important course.

viii. Course on "Developing Islamic Financial Products", Saudi Arabia

The course on *"Developing Islamic Financial Products"* was organized in Riyadh, Saudi Arabia, during the period 18-20/11/1427H [09-11/12/2006] in collaboration with the Institute of Banking of Saudi Arabian Monetary Agency (SAMA). The course was structured for the benefit of Bankers working in Saudi Banks. The main objective of the course was to allow participants learning about Islamic financial products and their application in the contemporary Islamic banking products. The focus was on how to structure *Shari'ah* compliant products, and how to use them in Portfolio Management of Islamic Banks, especially Liquidity Management. Total of 16 participants attended the course from National Commercial Bank (NCB), Al Rajhi Bank, Al Bilad Bank, Arab Bank, Saudi British Bank, Riyadh Bank, and participants from Real Estate Companies.

ix. Course on "Principles and Practices of Islamic Economics and Banking", Azerbaijan

The course on *"Principles and Practices of Islamic Economics and Banking"* was organized in Baku, Republic of Azerbaijan from 6-10/11/1427H [27/11-01/12/2006] in collaboration with the Azerbaijan State Economic University (ASEU), Baku, Azerbaijan. It was organized in English language with simultaneous translation in Russian language. The course was designed for the University Researchers, Middle-Level Officials, Executives and Bankers of CIS countries and the main objective of the course was to familiarize the participants with the main concepts and tools of Islamic economics and banking and to provide them with the main differences between Islamic economics and banking and conventional economics and banking in addition to offering them a forum for sharing experiences in Islamic banking. Total attendance of participants was 28 which included 21 local participants and 7 participants from other CIS countries.

4.3. TECHNICAL ASSISTANCE AND CONSULTANCY

IRTI worked on the Corporate Governance Working Group of the Islamic Financial Services Board to help develop a standard document on the subject. For this a senior economist was nominated to work on this Working Group. IRTI's representative attended several sessions of the Group organized in Indonesia and UAE. In its meeting held on 02 June 2006 in Indonesia, the IFSB organized a public hearing on the Exposure document on the Corporate Governance prepared by the Group which was finalized in its meeting held in UAE on 10 August 2006.

In addition, the Institute also organized a number of activities in collaboration with the IFSB as reported above. These activities are aimed at enhancing *Shari'ah* governance, transparency and disclosures, risk management and soundness of Islamic financial institutions

Chapter Five

Capacity Building



CHAPTER 5

CAPACITY BUILDING

5.1. INTRODUCTION

Capacity Building as a concept is a dedication to the strengthening of institutions and individuals through education, training and the deployment of resources. Given this definition, IRTI as a training arm of the IDB Group, contributes in developing secure, stable and sustainable structures, systems and organizations in IDB member countries. IRTI aims at serving member countries in this field in such a way that Capacity Building becomes responsive to expressed needs of member countries. IRTI provides training opportunities to staff engaged in development activities in member countries with a view to contribute to the improvement of their human capital, which is vital to their capacity building and socio-economic development. Being aware of the changing nature of the challenges facing the Muslim Ummah as a result of the recent global trends, IRTI is continuously striving to diversify the contents of its courses in order to ensure their consistency with evolving training needs. For this purpose, IRTI is periodically in touch with IDB member countries in order to identify their training needs. Furthermore, special emphasis is being placed on training programs in the areas of : Islamic Economics and Banking, Private Sector Development, Capacity Building, Macroeconomic Policies, Debt Management and Poverty Alleviation. Other than providing various training programs, special attention is also being focused on programs conducted under the "Task Force on Training (Preparing the Ummah for the 21st Century)", which have been well received by their target audience.

5.2 TASK FORCE ON TRAINING (PREPARING THE *UMMAH* FOR THE 21ST CENTURY)

In the context of the Eighth Islamic Summit Conference [Session of Dignity, Dialogue and Participation] held in Tehran, Islamic Republic of Iran from 9-11 Sha'ban 1418H [9-11 December, 1997] and the Summit Resolution to prepare the Ummah for the 21st Century, the IDB Management appointed a Task Force on Training composed of the General Secretariat of the Organization of Islamic Conference [OIC], Statistical, Economic and Social Research and Training Centre for Islamic Countries [SESRTCIC], The Islamic University of Technology [IUT], Islamic Centre for Development of Trade [ICDT], Islamic Development Bank [IDB] and the Islamic Chamber of Commerce & Industry [ICCI] to meet regularly to assess the training needs and mobilize resources and facilities available for training within the Islamic world and outside. Since inception of this Program, IRTI organized 34 workshops with these four Centers. During 1427H the following 4 training programs were organized:

i. Workshop on "Price Statistics and Indices", Turkey

The workshop on *"Price Statistics and Indices"* was organized in Ankara, Turkey in collaboration with Statistical, Economic and Social Research and Training Center for Islamic Countries [SESRTCIC], Ankara and Turkish Statistical Institution, Turkey during the period from 21-23/01/1427H [20-22/02/2006]. The workshop was designed for the government officials working in Statistics Department of IDB member countries. The main objective of the workshop was to acquaint participants to consider the principles and practices of all aspects of price index number construction to help improve the consumer price indices (CPIs) and producer price indices (PPIs) of the OIC member countries. The Workshop was attended by 22 participants that included 12 international participants and 10 local participants.

ii. Workshop on "Logistics and Export Competitiveness", Morocco

The workshop on *"Logistics and Export Competitiveness"* was organized in Casablanca, Morocco from 28-01/03-02/1427H [27-02/03-03/2006] in collaboration with the Islamic Centre for Development of Trade [ICDT], Casablanca, Morocco. The workshop was developed for the Executives of the Ministries of Trade, the Trade Promotion Organization, and Professional Associations operating in the field of foreign trade of French-speaking member states of the OIC and the main objective of the workshop was to ensure the capacity building and upgrade the human resources operating in the field of international trade in order to derive benefit from the new methods and techniques applied in the field of export logistics. 13 participants including 9 international participants benefited from this workshop.

iii. Workshop on "Training Program for the Staff of National Chambers of Commerce of Middle Eastern Countries ", Qatar

The workshop on *"Training Program for the Staff of National Chambers of Commerce of Middle Eastern Countries*" was organized in Doha, Qatar in collaboration with Islamic Chamber of Commerce & Industry [ICCI], Pakistan, Qatar Chamber of Commerce & Industry, Qatar and Perez Guerrero Trust Fund [PGTF] during the period from 29/05-02/06/1427H [25-28/06/2006]. The workshop was designed for the Staff of Middle Eastern Countries Member Chambers which included Algeria, Iran, Jordan, Morocco, Oman, Palestine, Saudi Arabia, Sudan, Syria, Tunisia, UAE Yemen and host country Qatar. The main objective of the workshop was to sharpen the trainees' skills in raising capability and skill upgradation of personnel of Member Chambers regarding general functions of National Chambers and development of computerized Trade Information System and organization of national and international exhibitions (general and specialized) and participation in industrial trade fairs as well as Impact of WTO Agreements on the OIC Countries in general and Middle Eastern Countries in particular. 22 participants from 13 OIC Middle Eastern Member Countries attended the Workshop.

iv. Workshop on "Computer Network Server Administration in LINUX Environment", Bangladesh

The workshop on *"Computer Network Server Administration in LINUX Environment"* was organized in Dhaka, Bangladesh from 21-25/10/1427H [12 – 16/11/2006] in collaboration with the Islamic University of Technology [IUT], Dhaka, Bangladesh. The course was intended mainly for Computer Personnel, Teachers and people in the ICT and networking areas who could be responsible in network related activities of OIC countries. The primary objective of the workshop was to offer the trainees a comprehensive and practical knowledge for network administration Linux Environment. The workshop was attended by 27 participants which included 16 local participants and 11 international participants.

5.3 TRAINING ACTIVITES

5.3.1. Fee-based Courses

These courses are generally organized in collaboration with the private sector organizations. In such courses reasonable fee is charged from the participants who come mostly come from private sector institutions.

i. Following the initiative to organize fee-based training programs in collaboration with the reputed institutions of IDB member countries, IRTI has successfully organized 23 fee-based

training programs since its inception. During 1427H, 9 fee-based training programs were implemented. Most of the fee-based courses were on the subject of Islamic economics and banking except one i.e. poverty alleviation held at IDB Headquarters, Jeddah.



5.3.2. Regular Courses and Workshops

Courses in this category are organized in collaboration with the reputed public sector organizations. These courses are offered free of charge and the participants also come from the public sector institutions.

i. Workshop on "Zakat as a Tool for Poverty Reduction", Mauritania

The workshop on *"Zakat as a Tool for Poverty Reduction"* was organized in Nouakchott, Mauritania. It was organized in collaboration with the Mauritanian Cultural and Islamic Association, Mauritania during the period from 8-11/3/1427H [6-9/04/2006]. The Workshop was designed for officials working in *Zakat* and *Awqaf* Institutions. The main idea of the course was to familiarize participants with the *Shari'ah* underpinnings and *Fatawa* in relation to *Zakat*; and to study the economic aspects of *Zakat* and addressing economic impacts of *Zakat* institutions within the economic set-up of some IDB member countries as well as to elaborate and discuss regulatory measures that can assist in promotion of *Zakat* institutions in Mauritania. 45 local participants benefited from this course.

ii. Course on "Human Resources Development", Uzbekistan

The course on *"Human Resources Development"* was organized in Tashkent, Uzbekistan from 19-24/03/1427H [17-22/04/2006] in collaboration with the Center for Professional Development in Foreign Economic Relations, Ministry for Foreign Economic Relations, Investments and Trade [CFPDFER/MFERIT]. The course was intended mainly for the officials from Uzbekistan involved in Human Resource Development. The primary objective of the course was to familiarize the participants with concepts, best practices and current trends in human resources development so that by the end of the course the participants could have a better understanding of human resources issues in their respective institutions. The course was attended by 50 local participants.

iii. Course on "Practical Models & Instruments for Management of Macroeconomics", Egypt

The course on *"Practical Models & Instruments for Management of Macro-economics"* was organized in Cairo, Egypt in collaboration with the Egyptian Banking Institute, Egypt and Arabic Planning Institute, Kuwait during the period from 08-13/04/1427H [06-11/05/2006]. The course was formulated for the official staff of Ministries of Finance, Planning, Economics and Trade, and Central Banks from Saudi Arabia, United Arab Emirates, Yemen, Jordan, Syria, Kuwait, Tunisia, Morocco, Libya and Egypt and the central aim of the course was to provide the participants with the contemporary issues in macro-economic management, such as financial and banking crisis, banking sector restructure, crisis featuring, and introduce economic models. It was attended by 20 participants, in total, that included 10 local participants and 10 international participants.

iv. Course on "Regulation and Supervision of Islamic Banks", Indonesia

The course on *"Regulation and Supervision of Islamic Banks"* was organized in Jakarta, Indonesia from 09-13/05/1427H [05-09/06/2006] in collaboration with the South East Asian Central Banks, Research and Training Centre (SEACEN) – Malaysia and the Bank of Indonesia, Jakarta, Indonesia. The course was designed for the middle-and-senior-level executives engaged in (or concerned with) the launching, operation and supervision of Islamic financial institutions in general and Islamic banks in particular. The main objective of the course was to allow participants learning about the nature and mechanisms of Islamic banking supervision and investigate the main elements of Islamic banking supervision and addressing differences between Islamic banking and conventional banking regulatory arrangements. 34 participants attended this course which included 7 international participants and 27 local participants.

v. Course on "Developing Professional Skills of Staff of Zakat Institutions ", Sudan

The course on *"Developing Professional Skills of Staff of Zakat Institutions"* was organized in Khartoum, Sudan. It was organized in collaboration with the Higher Institute of Zakat Studies, Sudan during the period from 05-10/06/1427H [01-06/07/2006]. The course was structured for the senior-level executives engaged in (or concerned with) operation and supervision of *zakat* institutions from Lebanon, Oman, Palestine, Saudi Arabia, Syria and the host country Sudan. The main objective of the course was to allow participants to study *Shari'ah* principles of *zakat* collection and dispersion and to give participants an opportunity to exchange ideas on *zakat* principles and applications in different IDB member countries. 31 participants attended this course which included 5 outside participants and 26 local participants.

vi. Course on "Founding Voluntary Projects", Kuwait

The Course on *"Founding Voluntary Projects"* was organized in Kuwait City, Kuwait. It was organized in collaboration with the Kuwait Public Awqaf Foundation during the period from 4-7/11/1427H [25-28/11/2006]. The course was designed for officials who work for charity organizations in Kuwait, Lebanon, Oman, Saudi Arabia and UAE. The main objective of the course was to make awareness among participants about importance of charity organizations and steps of establishing these organizations, and the role of strategic planning for such kind of institutions. 20 Participants attended this course which included 13 participants from Kuwait and 7 outside participants.

vii. Course on "Human Resources Development", Syria

The Course on *"Human Resources Development"* was a training program organized in Damascus, Syria from 19-23/11/1427H [10-14/12/2006] in cooperation with the Government Planning Corporation, Syria. The course was designed for senior officials of Human Resource Departments from government Corporations in Syria and some IDB Member Countries. The primary objective of the course was to study and analyze main issues in relation to methods of improving performance of employees in government units, and to exchange views and experiences of countries in this field. 20 local participants from Syria and 5 outside participants from IDB Member Countries attended the course.

viii. Workshop on "Financing Small and Medium Enterprises", Suriname

The workshop on *"Financing Small and Medium Enterprises"* was organized in Paramaribo, Suriname from 21-24/11/1427H [12 – 15/12/2006] in collaboration with the Central Bank of Suriname. This was the first ever training program organized by IRTI in Suriname. The workshop was designed for managers/personnel working in Ministries and Institutions which are dealing with Small and Medium Enterprises in Suriname. The primary objective of the workshop was to study and analyze main issues in relation to financial constraints of small and medium enterprises; promote and develop financial mechanisms for financing small and medium enterprises; and describe pertinent models developed by Suriname's Public and/or Private institutions to boost Small Businesses in Suriname. 40 local participants attended the workshop.

ix. Course on "Financing Small and Medium Enterprises", Egypt

The course on *"Financing Small and Medium Enterprises"* was a training program organized in Cairo, Egypt from 24-28/12/1427H [14-18/01/2007] in collaboration with the National Institute of Planning, Egypt. The course was structured for the benefit of managers and executive officials working in government corporations that handle SME affairs. The primary objective of the course was to elaborate in detail main issues relating to financial constraints, information and consultancy gaps facing SME in IDB Member Countries, and also to discuss some case studies and exchange opinions on country experiences in addition to role of IDB in this regard. The course was attended by 36 participants: 27 from inside Egypt and 9 from other IDB Member Countries.

5.4. SPECIAL PROGRAM FOR STRENGTHENING *ZAKAT* AND *AWQAF* INSTITUTIONS IN SUB-SAHARAN AFRICAN COUNTRIES

IDB launched this Special Program in order to contribute in alleviating poverty in Sub-Saharan African Countries. This assignment was vested to IRTI, with the aim to explore the possibilities of organizing consultative meetings and technical seminars in Burkina Faso, Guinea-Conakry, Mali, Niger and Senegal and

to promote the establishment of *Zakat* and *Awqaf* institutions in these countries. IRTI organized following technical seminar in Niger in 1427H. This program is organized in collaboration with General Secretariat of Awqaf and Zakat House in Kuwait.

Seminar on "Establishing Awqaf and Zakat Institutions in Niger", Niger

The seminar on *"Establishing Awqaf and Zakat Institutions in Niger"* was organized in Niamey, Niger in collaboration with the CONIZAWA, Niger, *Bait Al Zakat*, Kuwait Awqaf Public Foundation, Kuwait, from 18-20/05/1427H [14-16/06/2006]. It was conducted in French language. The seminar was developed for the civil servants from Ministry of Economy and Finance, Ministry of Population and Social Action and Ministry of Interior and Decentralization; University Researchers, Heads of Religious Associations such as National Islamic Council; Islamic NGOs and Businessmen and the key objective of the seminar was to enhance awareness about *Zakat* and *Awqaf* Institutions as tools of poverty reduction in Sub-Saharan African countries. 65 participants from Niger attended the Seminar.



5.5. INTERNATIONAL FORUM OF ICT STRATEGIES AND INVESTMENT

IRTI is coordinating and supporting holding of international conferences in the area of ICT jointly with reputed OIC/IDB regional and international organizations. In 1427H, IRTI held the following conference.

The International Forum for ICT Strategies and Investment (IFISI2006) is intended to bring a part of the solution to the issue of funding of national, local and corporate ICT projects. The match-making methodology, between project holders and investors, adopted in this forum is a guarantee of the success of this gathering intended to be organized on an annual basis. The Forum met in Marrakech at the prestigious "Palais des Congrès" on March 01-03, 2006. The first part of the first morning was devoted to the opening ceremony where government as well as international organizations' leaders addressed the whole audience of the forum.

IFISI was a meeting point for ICT project holders and investors. This international event offered a project bourse that includes both a project exhibition (along with the technology exhibition) and exchange sessions with a panel of international investors during the afternoons of the three days of the event. Ministers in charge of Information and Communication Technologies, Economy, Trade and Industry, Secretaries of State, Heads of Investment Promotion Agencies, Presidents of Chambers of Commerce and Industry, senior representatives from the World Bank, United Nations, national and international organizations, incubators, science and technology parks, ICT start-ups and existing companies and free zones, were represented and gave presentations during these sessions.

Prior to the exchange sessions, a two-day workshop took place on February 27-28, 2006. During the workshop, focus was made on presenting flagship projects in national ICT sectors. The workshops were run by international tutors. All sessions of the IFISI Forum were chaired by a high-level government official or by an eminent expert from public or private sector and focused on topics related to the themes. The closing ceremony was preceded by a plenary session in which reporters of various sessions presented the main findings of the Forum and a final declaration.



Chapter Six

Information and Knowledge Resources



CHAPTER 6

INFORMATION AND KNOWLEDGE RESOURCES

6.1. INTRODUCTION

Information is essential to the development of any organization and, thus, is a valuable resource. Unlike natural resources, information is a resource that is not depleted as it is used. It rather increases in value as it is used and re-used to create knowledge. Information is important to create new knowledge for educating staff and professionals, to contribute to the creation of knowledge through research in their disciplines, and to disseminate knowledge for use by others. The main mission of the IRTI Information Center is to develop, in a cost- effective way, an integrated market place for the management and use of information and knowledge for IRTI as well as IDB Group and IDB member countries which will not only benefit and strengthen IDB's information and knowledge capabilities but also to place IDB as a leading institution in this area.

IRTI has a mandate to collect, systematize, and disseminate information in various fields that serve the member countries using the latest information and communications technologies (ICT) and tools with a view to enhance and promote economic development and cooperation among IDB Member Countries. This in turn will assist in the development of Islamic banking and finance and support IRTI services and training activities. Currently, IRTI has embarked focusing upon establishing databases, and publishing various publications and supporting website portals. In addition, IRTI is coordinating and supporting holding of international conferences in the area of information, knowledge dissemination and ICT jointly with OIC/IDB, regional, international and sister organizations. A brief description of the activities of IRTI in these areas are provided below.

6.2. INFORMATION SYSTEMS

6.2.1. Islamic Bank Information System (IBIS)

The IBIS has been developed in collaboration with Central Banks, Islamic Financial Services Institutions and Infrastructure Institutions. By the end of 1427H, the first phase of the project was completed with the launch of the IBIS website. Project Data: The IBIS archives now contain a significant and valuable amount of collected data with well-established sources and preset mechanisms for its sustainability.

6.2.2. Awqaf Databank System

The Awqaf Databank System (ADBS) is a database system powered by an interactive trilingual web-site. The Databank furnishes its clients with various services, such as statistical data, government and non-government organizations' profiles, publications searchable full text, *Waqf* literature directory, *Shari'ah* directory, Who's Who, events, community news, etc. Through the use of the ADBS, *Awqaf* Ministries and organizations will be able to access and update their data online.

The project experienced key achievements in 1427H. The ADBS portal is expected to be published and made accessible to public in early 1429H. In addition to the readiness of the hardware and software, the

project has acquired about 30,000 pages of literature information, several specialized *Awqaf* references including the Grand *Awqaf* literature directory and *Awqaf* MAKNAZ.

6.2.3. IDB Database on Experts (IDBDE)

As the IDB Group members and specially IRTI need to communicate with various Muslim experts and scientists around the world for consultancy services, and reviewing IRTI publications, papers, monographs or articles, a great need arose for IRTI to develop a global and comprehensive database that includes full details of Muslim experts around the world. Hence, IRTI developed the IDB Database on Experts (IDBDE). IDBDE aims at facilitating the identification of Muslim experts and scientists around the world in various fields. This would reduce the cost of locating competent consultancy services to all IDB member countries and to serve as a heritage for Muslim experts in the globe.

IRTI developed a comprehensive website to be hosted on the Internet under IRTI website with the help of an external consultant. The website includes basic data and full profile for around 3000 scientists/ experts where the database is still growing. In addition, the website has hyperlinks to similar databanks and S&T centers and organizations with a facility to collect and update the data online. The system has the capability to allow researchers/ scientists to communicate with each other. The system can produce various reports and custom directories. These directories can be imported from the system to media such as CD or DVD which can be distributed fee-based to interested individuals/organizations for income generation in future under IDB regulations and procedures.

During 1427H, the first update for the experts data which was collected in 1426H has been verified and enhanced for data entry into the current system. As information technology is changing and advancing very rapidly the current system needs to be upgraded and enhanced to cope with these new advanced rapid changes. Hence, a Request for Proposal (RFP) was prepared and an agreement with a selected local company was signed to redevelop the system based on new technologies and tools.



BOX-2: IRTI'S ROLE FOR IDB TO BE A KNOWLEDGE BANK

A Task Force was established to study IRTI's Role for IDB to be a Knowledge Bank to enable IRTI institution to play a leading role in the acquisition, codification, collection, storage, creation, development, enhancement, sharing and transfer of knowledge both for the Bank Group and IDB member countries. The Task Force includes two renowned external experts in the knowledge area; one a free-lancer from Burkina Faso, and the other is a principal knowledge management specialist from the Asian Development Bank.

MAIN OBJECTIVES

1. To identify the nature and dimensions of information and knowledge based assets for IDB Group;
2. To develop a strategy to market knowledge and knowledge management within IDB Group and member countries;
3. To identify potential challenges and bottlenecks in the way of materializing this initiative and outline actions to overcome them;
4. To draw up ways and means and advise on how the value of knowledge initiative for IDB Group can be demonstrated;
5. To identify strategic international partners for Information and Knowledge function;
6. To propose an alternative framework and organizational structure enabling IDB to operationalize the Information and Knowledge agenda of the Bank;
7. To propose the composition and terms of reference of a body that can advise the Bank on technical and academic aspects of the activities in Knowledge;
8. Guided by the work already done on knowledge, propose measures so as to improve its strong points and identify the weaknesses;
9. To give an opinion on the infrastructure available for creating and disseminating knowledge;
10. What value will be added by this initiative to the effectiveness of IDB Group mission in the knowledge area, and
11. To develop a formal evaluation process of the stages of the knowledge and knowledge management activities.

In light of the Administrative Instruction on this initiative, the Task Force held nine meetings and studied the work already done by other units of the IDB Group in the area of knowledge and knowledge management. Two external experts; Mr. Pierre Claver Damiba from Burkina Faso, and Mr. Daan Boom, from Asian Development Bank, Manila, Philippines were invited to join the Task Force. A detailed timeline was prepared with two visits of the external experts. During their first visit, a Workshop was held on March 12-13, 2007. The experts' second visit is scheduled from 28-30 April 2007, after which a detailed final report will be submitted to H.E. the President on the findings and recommendations of the Task Force.

6.3. WEB-BASED RESOURCES

6.3.1. Guideline for a National IT Strategy – Phase II

As a result of the resolution of the symposium on "Preparing the Ummah for the 21st Century: Promotion of Information Technology for Development" held in Cotonou, Benin in Rajab 1419H, IRTI was entrusted to develop a Model IT Strategy for IDB member countries with two goals. First, to promote IT awareness in member countries by developing a general Model IT Strategy and provide technical assistance on request to member countries willing to adopt the Model IT Strategy to their needs and conditions. Second, identify leading centers of excellence to enable superior coordination and better utilization of their services and resources.

As part of the continuing effort in promoting greater awareness on the importance of knowledge and ICT for development among member countries, and in conjunction with the MOU signed between IDB and Malaysia as a continuation of this project during 1427H, IRTI negotiated with Multimedia Development Corporation (MDeC) to develop a KICT Outlook (Knowledge & Information and Communication Technologies) and a new set of KICT indexes for IDB member countries. The main objectives of this new task are two-fold. First, to analyze and highlight several ICT for development initiatives including at the policy level among IDB member countries to serve as case studies and possible development model for member countries. Second, to compile and formulate a relevant Knowledge & ICT (KICT) index that can serve as one of the assessment / benchmarking tools to monitor progress among member countries as well as with other non-member countries.

Hence, the overall aim of this extended study is to provide broad analysis and commentary on the significant achievements and gaps of a few of the other member countries, in comparison with the initial / baseline ICT index, and with other developing countries, where relevant.

6.3.2. New IRTI Website/Portal

Early 1427H, IRTI developed a new website with a new look and feel to be used as a transition site for the IDB Group Portal. The IRTI website has been developed in-house where many enhancements took place. On the other hand, IRTI expanded its cyber capabilities by having full on-line authorities to directly manage the content of IRTI website that includes adding, deleting and changing site pages.

By the end of 1427H, IRTI has completed all the steps required for joining the IDB Group Portal Project to have its own IRTI Portal available along with IDB Group Portal. The plan is to have IRTI Portal launched early 1428H. The new Portal will include significant enhancements and features over the current IRTI website. The address of the IRTI website is **www.irti.org.**

6.3.3. IRTI Publication Management System (IRTI PMS)

One of the main pillars of IRTI is research in the areas of Islamic economics and Islamic banking & finance, where these researches are published regularly for sale, distribution and exchange. So far, IRTI has been publishing its publications in paper format and distributing through regular mails. However, with the advent of the Information Communication Technology (ICT) and the Internet and to ease the method of distribution and selling, IRTI developed a comprehensive portal for IRTI publications. The portal includes full information of each publication, its price and a bio-data of the author. The portal has the capability of downloading the full text of the publications online.

The main objective of the system is to develop an online virtual bookshop for selling and purchasing IRTI publications and to convert published files from legacy and other different file formats to

web compatible formats. The main modules of the system are:

- IRTI Publications on-line
- Publications Inventory Control
- On-line Selling and Payment
- Publication Distribution and Control
- Publication General Ledger
- System Reports and Administration

As part of building the IRTI publication system, IRTI started a project for converting its paper publications into e-format and collecting publication abstracts (Executive Summary) and author bio-data. A great deal of efforts were spent on converting the full-text of publications and abstracts from paper format to electronic format compatible with the international standard. Arabic publications, as there was no available reliable software to digitize, the publications were got retyped, reviewed and then entered into the system. The conversion process was started with the latest publications going backward. However, the full-text of the newly published publications was immediately entered into the system after final review before sending the publication to the press. Two versions of the system were launched; one on the bank's local Intranet and the other on the Internet. Both systems are identical in terms of the user interface, data and security aspects.

For the internet, the system stands at around 72% of available full-text in the three languages. Its interface is published in three languages, Arabic, English and French and is supplied with a sophisticated search engine. In addition, the system provides the user with customized reports and directories. A statistical counter was added to the system to register number of hits on the different languages (Arabic, English and French). The system was heavily used where: about 60,000 Arabic, 50,000 English and 20,000 French users have visited the site.

During 1427H, the necessary steps were taken to expand the current IRTI Publication System to become a total-solution for IRTI Publication Unit activities. A Request for Proposal (RFP) was prepared and sent to reputed software consulting companies to offer their proposals on expanding the system to include IRTI Publication On-Line Store, Inventory Control, Distribution, Financial and Reports and Administration Sub-systems. With the implementation of these total-solution packages, IRTI will provide an Online Publications Store front-end enabling worldwide users to search, view, download and purchase paper and electronic versions of IRTI publications through the internet. The URL of the current IRTI publication website is **www.irtipms.org**. During the course of launching the system on the Internet, the system was also registered with major search engines such as, Yahoo, Google, Alta vista and MS Network.

6.3.4. IRTI Newsletter

As an aid of awareness to the IDB Group staff about the activities undertaken by IRTI, an Online Newsletter to be browsed by IDB staff as a local web page on the IDB Intranet was developed. The Newsletter was designed as a web-enabled system to keep track of the back issues and is supplied with a full text search engine to search various activities and issues.

The Newsletter contains news and events, visits of delegations, lectures, seminars, conferences, workshops, publications, research papers, training programs and information provided through applications developed by IRTI and other IRTI activities.

During 1427H, the newsletters were issued at their scheduled time – second week of each Hijra month. In addition, various technical enhancements on the system of the newsletter were made. The information of the newsletter is acquired through a collaboration effort with the various IRTI divisions/units. During 1427H, IRTI also designed a new look for the Newsletter with capability to print issues online for paper distribution. The new design has a number of new features in terms of more sophisticated search and indexing.

Chapter Seven

Prizes



CHAPTER 7

PRIZES

7.1. IDB PRIZE IN ISLAMIC ECONOMICS AND ISLAMIC BANKING AND FINANCE

With the objective of recognizing, rewarding and encouraging creative efforts of outstanding merit in the fields of Islamic economics, banking and finance, the IDB annually awards an international prize alternating between Islamic economics and Islamic banking and finance. The Prize is known as the *IDB prize in Islamic Economics/Islamic Banking & Finance* which was established in 1408H (1988). Since then, 26 personalities and institutions have been awarded this prize (Box-3). The prize includes a citation acknowledging the contribution of the prize laureate and a cash award of Dinars 30,000 (Thirty Thousand Islamic Dinars).

IDB Prize is now under thorough study. IDB Board of Executive Directors has instructed IRTI to conduct a comprehensive evaluation study of the Prize by external competent institution to see the impact of the Prize in the discipline and propose any changes needed to make the Prize on the international level. The study has already started and is expected to be completed by mid of 1428H.

BOX 3: WINNERS OF IDB PRIZE IN ISLAMIC ECONOMICS / ISLAMIC BANKING & FINANCE

Islamic Economics

1. Prof. Khurshid Ahmad, 1408H (1988)
2. Dr. M. Umar Chapra, 1409H (1989)
3. Dr. M. Anas Zarqa, 1410H (1990)
4. Dr. Yousuf Al-Qardawi, 1411H (1991)
5. Dr. Sabahuddin Zaim, 1412H (1992)
6. Centre for Research in Islamic Economics, 1413 H (1993)
7. Dr. Muhammad Umar Zubair, 1415H (1995)
8. Dr. Rafic Younus Al Masri and Dr. Abdur Rahman Yousri, 1417H (1997)
9. Dr. Mohammed Al Habib Ibn Al Khojah, 1419H (1999)
10. Dr. Monzer Kahf and Dr. Hasanuzzaman, 1421H (2001) [jointly]
11. Dr. Abbas Mirakhor and Dr.Mohsin Khan, 1422H (2003)
12. Dr. Shawqi Ahmad Dunya, 1425H (2005)

Islamic Banking & Finance

1. Dr. Sami Homoud, 1409H (1989)
2. Tabung Haji, Malaysia 1410H (1990)
3. Dr. Ziauddin Ahmad 1411(1991)
4. Dr. Ahmad Mohammed Ali, 1414H (1994)
5. Mr. Saleh Abdullah Kamel, 1416H (1996)
6. Dr. Tanzilur Rahman, 1418H (1998)

7. International Institute of Islamic Economics, Pakistan, 1420H (2000)
8. John Presley and Sa'eed Ben Ahmad Ben Lutah , 1422H (2002)
9. Dr. Mohammed Ali Al Qari 1424H (2004)
10. HRH Prince Mohamed Al-Faisal Al-Saud of the Kingdom of Saudi Arabia (2006)

IRTI is responsible for implementation of the prize, which is administered by three committees viz. Preparatory Committee, Screening Committee and Selection Committee. The Preparatory Committee is an internal committee that looks after all arrangements and preparations pertaining to the Prize. The Screening and Selection Committees perform the functions suggested by their respective names. These committees include substantial number of external scholars. The Selection Committee, in particular, is composed of five eminent scholars and persons drawn from the different member countries of the IDB in addition to Director IRTI and Director, Economic Policy and Statistics Department of IDB. The implementation of IDB Prize includes various types of activities such as arranging the wide scale publicity of announcements all over the world, receiving and screening nominations, coordinating the meetings of Preparatory, Screening and Selection Committees, awarding the prize, etc.

The IDB Prize in Islamic economics for the year 1427H was awarded to Dr. Abdus Salam al Abadi (Jordan) for his substantial contribution to Islamic economics. The Prize will be awarded to him during the Annual Meeting of the IDB Board of Governors, to be held in May 2007 in Dakar, Senegal, along with the following Citation (Box-4) :

BOX 4 : CITATION

IDB PRIZE LAUREATE IN ISLAMIC ECONOMICS FOR THE YEAR 1427H

Recognizing his distinctive and continuous efforts as a renowned scholar in Islamic Economics besides his efforts in Islamic *Da'wah* and public services;

Considering his impressive and diversified research output in the field of Islamic Economics, taking into account his academic contribution, especially, his book on the Ownership in Islamic *Shari'ah* which is considered until now one of the best sources on the subject;

Having considered his pioneer role in the development of *Waqf* Fund and investment. His vital contribution in the development of national and international institutions of *Zakah*, Orphan and Social Security.

Recognizing his distinguished work in serving his country, his nation, faith and humanity.

And in view of his sustained interest, intellectual support and significant academic and practical impact in Islamic Economics;

The IDB Prize Selection Committee unanimously decides to award the IDB Prize in Islamic Economics for the year 1427H to Prof. Dr. Abdus Salam Al Abadi.

IDB Prize Selection Committee for 1427H

7.2. ISLAMIC SOLIDARITY PRIZE FOR TRADE PROMOTION AMONG MEMBER STATES OF OIC

In order to promote economic cooperation among member countries, the IDB Group has established a *Waqf* fund to support the "Islamic Solidarity Prize for Trade Promotion among Member States of OIC" to be awarded annually. During 1427H, IRTI along with Economic Policy and Statistics Department of IDB prepared the proposal and guidelines of the Solidarity Prize. The BED approved the special *Waqf* fund for an amount of USD 1 million, with the income generated thereof to be allocated for this Prize.



Chapter Eight

IRTI Institutional Development



CHAPTER 8

IRTI INSTITUTIONAL DEVELOPMENT

8.1. INTRODUCTION

IRTI has been actively involved in undertaking various actions that strengthen both IRTI and other IDB Group entities. IRTI also responded to the business needs of the IDB Group, which require input from IRTI based on its areas of core competence. Furthermore, through various activities IRTI established strong relationship with different international bodies to achieve its different goals. The activities in these areas undertaken during 1427H are given below.

8.2. STRENGTHENING IRTI

8.2.1. Design and Implant IRTI Office Technology Plan

Due to the high dependency on the efficient storing and processing digital information by all IRTI staff, continually their offices equipped with the latest technology available in the PCs, Laptops, printers, and scanners. Storing and processing of digital information, Internet and Email are becoming essential facilities which are highly available to the IRTI staff.

IRTIC drew a plan based on the inventory data of current PCs, Notebooks and Printers held by all IRTI staff. All necessary arrangements were made with the Purchasing Section and IT Department for acquisition and operation of these equipments. In addition, IRTIC is providing technical support and tracking for these office technology assets according to a guideline driven by the plan. IRTIC will continue to identify IRTI requirements, follow up acquisition and replacement plans, and coordinate installation. In addition, the enhancement and update for office inventory database will continue on regular basis.

8.2.2. Operate IRTI Network Servers and Applications

Different types of applications and databases are required by IRTI management and staff. IRTI users are accessing these applications and databases through the IDB Intranet. IRTI server and network administrative tasks are required to provide an efficient and available access to these services. Continually, IRTIC administrates and maintains IRTI Servers in accordance with the standard procedures. This includes daily, weekly and monthly backup, maintaining users security levels, administrating SQL/MySQL/Access databases, operating Clint-Server applications, local web sites and staff data. IRTI is processing a request for new servers. Accordingly, new design will be implemented to ensure high availability, data integrity and confidentiality.

8.2.3. IDB Group Policy Paper for ICT4D

Realizing the importance of S&T for the national development in IDB member countries, different entities within the Group were motivated to react and move ahead. Given the high investment costs required to introduce ICTs into different development domains and the short life cycle for the most of

ICT products, it became necessary for IDB Group to have objective driven strategy and clear policy for initiating / supporting ICT4D activities. A clear policy in this regard shall facilitate the right and effective intervention and avoid losing resources and opportunities.

IDB Group Policy for ICT shall provide member countries with IDB Group vision and strategy for its operation activities in ICT domain. IRTI Information Center jointly with several concerned departments within the group and with the help of an external consultant, is working to develop this policy document which is expected to be published by the end of year 1428H.

8.2.4. Reform IRTI Publication System

This process is responsible for coordinating the content of IRTI publications, IRTI annual report in the three languages, brochures, posters and other published material. The process is also responsible for designing and following with local Presses for printing these publications. The process reviews and edits the content of IRTI publications and other published material before going for design. More enhancements on the activities of the PU and its production came out as a result of its transfer to IRTIC for integrating its work with IRTI Publication Management System (IRTI PMS) to avoid any duplicate efforts and keep all published material in electronic format at one secured hyper place.

Many enhancements were made to cope with the new challenges and reforms. In what follows is a list of key procedures that IRTI Information Center started to implement during 1427H.

- Enhance computer programs used to prepare the material for publication.
- Enhance the technical outlook of all IRTI publications using unique standard international colors to reach a proposed level to make a flagship look for IRTI publications.
- Enhance printing working cycle in collaboration with IRTI Division Chiefs and researchers.
- Improve heavily IRTI publication directory.

8.3. CONTRIBUTION TO OTHER DEPARTMENTS OF IDB

IRTI contributed in the Vision 1440H exercise of the IDB Group by participating in various Technical Teams, and took part in the two workshops organized by the Strategic Planning Office of the IDB Group (SPOG) in this respect during December 9-20, 2006. The Workshops were expected to facilitate the group of Quick Win Implementation Teams to formulate the IDB's new approach in development undertaking and allowing a concerted team effort toward effective operational benchmarking. IRTI actively participated in preparing concept papers for different Quick Wins of IDB Vision 1440H. IRTI contributed in the Quick Wins such as International *Zakah* Foundation, Islamic Financial Services Industry, Capacity Building, and IDB Reform Technical Committee.

A professional staff from IRTI has been selected as a convener of the Team to oversee the establishment of the International Islamic Finance Corporation (ITFC). The Team under the chairmanship of the President, IDB has been constituted to undertake overall task of the establishment of the ITFC.

IRTI has also been involved in IDB Oral History Program. This program is concerned with interviewing IDB staff who joined IDB from the beginning with the view to record key milestones in their journey with the IDB Group from association to present-day including turning points, pivotal decisions, achievements and impacts.

The IRTI Information Center is providing an extracted information from the available databases as per requests and inquiries received from many IDB Departments, in support of their daily activities. On the other hand, the Center is also supplying all kinds of IRTI publications both in hard and soft format to various IRTI Departments and IDB Group members on a frequent basis. In addition, IRTI senior professionals are members on most of the technical IT, ICT4D and Science and Technology Committees and Task Forces within IDB Group.

IRTI contributed to the Task Force on the Establishment of IDB Poverty Alleviation Fund as its member and by providing the Islamic content to the document and making detailed comments on its first draft on the IDB Group Policy on Poverty Alleviation. A professional from IRTI is a member of Young Professionals Implementation Committee and contributed to its various meetings.

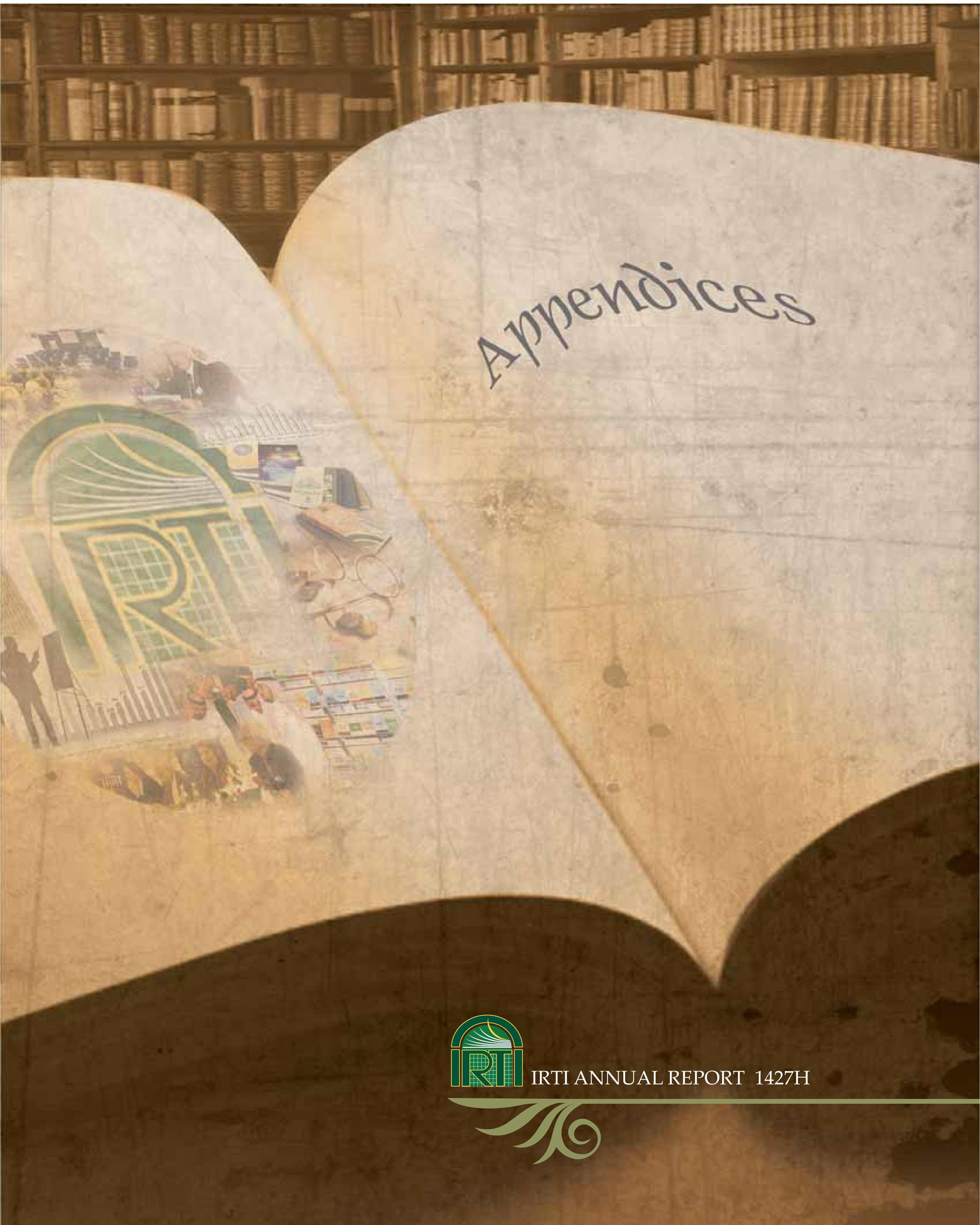
8.4. NETWORKING WITH OUTSIDE INSTITUTIONS

IRTI has signed an MOU and consultancy contract with Kuwait Awqaf Public Foundation (KAPF), where IRTI will act as a paid consultant for the development of the Awqaf Databank both technically and informatics-wise. Accordingly, IRTI and KAPF have started to implement the detailed plan of the first and then second phase of the project which is expected to be completed by next year. Going according to the project time schedule will depend mainly on the cooperation of the countries involved in this phase.

IRTI continuously stays in contact with SESRTCIC, Ankara; ICCI, Karachi; ICDT, Casablanca and IUT, Dhaka, the four OIC affiliated Institutions to identify some new topics for training and implement them under the Task Force on Training Program [Preparing the Ummah for the 21st Century]. Cooperation with these outside Institutions focuses basically on designing and implementation of training programs relating to development of Islamic financial industry.

IRTI Information Center has close relationship with specialized institutions such as: (1) Arab Industrial Information & Mining Organization (AIDMO), Morocco, where a number of international conferences were held jointly in the area of information and industrial network; (2) Kuwait Awqaf Public Foundation (KAPF), Kuwait, where a consultancy contract was signed to grant IRTI Information Center as an external consultant for the development and implementation of the Awqaf Databank; and (3) Multimedia Development Corporation (MDeC), Malaysia, where a number of projects in the ICT area have been tabled for study and implementation as part of the MoU between IDB and Bank Negara, Malaysia. Also, MDeC developed the Guideline for National IT Strategy jointly with IRTI Information Center.

IRTI is one of the members participating in the implementation of the Memorandum of Understanding (MoU) between Malaysia and IDB Group dealing with matters related to the ICT development in IDB member countries. During 1427H, IRTI attended and contributed to the 4th High Level Meeting, Kuala Lumpur, Malaysia, held from 15-16 February 2006 and the 5th High Level Meeting which took place at IDB Headquarters, Jeddah during 7-8 November 2006.


Appendices
IRTI ANNUAL REPORT 1427H

APPENDIX

A.1. SUMMARY OF ACTIVITIES OF DIFFERENT DIVISIONS AND UNITS WITHIN IRTI

ISLAMIC ECONOMICS, COOPERATION AND DEVELOPMENT DIVISION

I. Seminars/Conferences/Forums/Workshops Held during 1427H as shown in the following table

No.	Events	Collaborating Agency	Venue	Date
1	International Conference on Ibn Khaldun's Economic Contribution	Universidad Nacional de Educacion a Distance (UNED), Spain, ISESCO, Morocco, Islamic Cultural Centre, Spain and Foundcion El Legado Andalusi, Spain	Madrid, Spain	Held on 12-14/08/27H (03-05/11/06)
2	International Seminar on Awqaf in Europe	Kuwait Awqaf Public Fund, Europe Trust Al Aman, Al Burag and Bank of Ireland	Birmingham, UK	Held on 20-23/02/27H (20-23/03/06)
3	First International Forum on Islamic Economics, Finance and Business for Young Professional	Faculty of Business, Universiti Teknologi, Mara, Malaysia	Mara, Malaysia	Held on 20-22/03/27H (18-20/04/06)
4.	Workshop on Textbooks in Islamic Economics	--	IDB Headquarters	Held on 28-29/01/27H (27-28/02/06)
5.	1st Meeting of IRTI Working Group on Poverty Alleviation	--	IDB Headquarters	Held on 03-04//04/27H (01-02/05/06)
6	Research seminar on Islamic Alternative to Poverty Alleviation: Zakah, Awqaf and Microfinance	Islamic Economics Research Bureau, Dhaka, Bangladesh , Islami Bank Bangladesh Ltd	Dhaka, Bangladesh	To be held on 04-06/04/28H (21-23/04/07)
7	7th International Zakah Conference	Kuwait Zakah House, Kuwait	Kuwait	To be held on 05-06/03/28H (24-25/03/07)

II. Internal Research

i. "Islamic Law, Corporate Finance and Financial Development" – completed and under review by the Academic Committee

ii. "Privatization in Developing Countries: An Empirical Evidence" – completed and under review by the Academic Committee

III. Textbooks on Islamic Economics

i. Anthology of Islamic Economics: Vol. 1 "Foundation, History, Nature and System"—completed and being reviewed by the Academic Committee

ii. A workshop on producing textbooks on Islamic economics held, represented by some universities

IV. Working Group on poverty Alleviation

i. This is an on-going project. Its first meeting was held and other phases are in process.

ii. A study entitled " Fiqhi Differences on the Application of Zakah at State level completed as commissioned to an external scholar.

V. Seminar Proceedings

i. Proceedings of the research seminar on Macroeconomics from Islamic Perspectives— editing completed and cleared by the Academic Committee for publication

ii. Proceedings of the Roundtable on Islamic Economics—editing completed, cleared by the Academic Committee and under printing

VI. Presentations made by IECD Division researchers at seminars/conferences and workshops as shown in the following table

No.	Paper	Event	Date
1.	Banking Efficiency in Bahrain: Islamic vs. Conventional Banks	Conference on Islamic Banking and Finance, Lebanon	February 2006
2.	Management of Awqaf: Promoting its Supervision Rules on the Lines of Contemporary Management with Special Reference to Awqaf in Europe	Seminar on Awqaf in Europe, UK	20-22/03/06
3.	The Role of Islamic Financial Institutions and the Institutions Caring after Minors in Promoting the Minors' Interests	1st International Conference on Minors, UAE	November 2006
4.	Scientific and Empirical Efforts Directed towards Establishing International Zakah Foundation	Prepared for the Technical Committee under the IDB Vision	
5.	Major Features of Islamic Economics in the Economic Thought of Baqir al Sadr	Forum of Economic Thoughts of Baqir al Sadr, Mufid University, Iran	May 2006

6.	Building Capabilities of Charitable organizations for Memorizing the Holy Qur'an	Prepared for the President	
7.	Completing the Thoughts on Sukuk: Sale of Debt with all its Forms and Applications	17th seminar of OIC Fiqh Academy, Jordan	June 2006
8.	Administration of Hajj: Challenges with the Time (Experiences of IDB Adahi Project)	1st Scientific Forum, Medina, KSA	27 March 2006
9.	Brief Zakah Rules and Its Issues	1st IRTI Working Group meeting, IDB Headquarters	01-02 May 2006
10	Comments on Contracts and their Applications in the Banking Sector	Conference on Shari'ah Supervision , Bahrain	January 2006
11.	Sukuk: Looking for Safe investment	Seminar on the subject, UAE	14-16 Nov.2006

VII. Lectures Delivered by the IECD Division's researchers

i. Lecture on Islamic Indexes in IRTI Distance Learning program
ii. Training to IDB Staff in IRTI Training Program on Capital Market in September 2006

VIII. Other Activities

i. Public Hearing on Exposure Document on Corporate Governance prepared by IFSB Working Group on the subject .
ii. 7th Working Group Meeting on Corporate Governance of IFSB
iii. Preparatory Meeting for the Third Awqaf Forum to be organized in 1428H
iv. Paper prepared on IRTI Working Committee on Poverty Alleviation for the 8th Conference organized by the Global Development Network (GDN) held in Beijing, China



ISLAMIC BANKING AND FINANCE DIVISION

I. Conferences/Seminars/Workshops

No.	Activity	Collaborating Agency	Venue	Date
1.	Second International Conference on Islamic Banking: Risk Management, Regulation and Supervision - jointly organized by	IFSB, Malaysia Bank Negara Malaysia	Kuala Lumpur, Malaysia	Held during 8-9 Muharram 1427H [7-8 February 2006].
2.	Consultative Meeting of Working Group on Islamic Financial Sector Development (IFSD-WG)	DIFC, CIBAFI, IFSB, IIFM, IIRA, AAOIFI, CGAP and FSAP	DIFC, Dubai	Held on 1 Rabi Awwal 1427H (30 March 2006).
3.	Islamic Financial Sector Development (IFSD) Forum	CIBAFI, IFSB	Kuwait	Held on 1 Jumad Awwal 1427H (May 28, 2006).
4.	Interactive Session on Ten-Year Master Plan	IFSB	Kuwait	Held on 27 Safar 1427H (27 March 2006)
5.	3rd Seminar on 'Challenges Facing Islamic Financial Services Industry'	IFSB, Malaysia	Kuwait	Held during 28-29 Safar 1427H [28-29 March'06]
6.	7th Harvard University Forum on Islamic Finance and Closed Door Workshop	Harvard University, USA	Massachusetts, USA	Held during 23-25 Rabi Awwal 1427H [21-23 April 2006]
7.	Islamic Trade, Banking and Finance Conference	Muslim Council of Britain (MCB), UK	London, UK	Held during 17-18 Jumad Awwal 1427H (13-14 June 2006).
8.	Conference on Islamic Finance	Nordic Banks and Export Companies, Sweden	Stockholm, Sweden	19-20 Jumad Awwal 1427H (15-16 June, 2006).

9.	Distance Learning Seminar on Risk Management	International Islamic University, Pakistan	Distance Learning Centre	Held during 22 & 29 Jumad Thani, 1427H (18 & 25 July 2006)
10.	Seminar on 'Islamic Capital Markets'	IDB in-house course.	Jeddah	Held during 24-27 Sha'ban 1427H (17-20 September 2006)
11.	IFSB Council Meeting	IFSB	IDBHQ	Held on 8 Dhul Qa'da 1427H (November 29, 2006)
12.	Round Table Discussion on *Shari'ah*-based Risk Mitigation Techniques with	IFSB, Malaysia and Central Bank of Sudan	Sudan	Held during 29-30 Dhul Qa'da 1427H (20-21 December 2006)
13.	Seminar on "Islamic Financial Engineering: Its Challenges and Opportunities" in Islamic University	University Islam Indonesia, Indonesia	Yogyakarta, Indonesia	To be held during 19-20 Dhul Hajj 1427H [9-10 January 2007],
14.	Islamic Capital Markets Conference and Workshop	International Islamic Financial Market, Bahrain	Karachi, Pakistan	To be held during 4-5 Muharram 1428H (24-25 January 2007)

II. ISLAMIC FINANCIAL SERVICES INDUSTRY DEVELOPMENT INITIATIVES

1. 10-Year Master Plan Framework Document in association with other Stakeholders. [The paper has been finalized and discussed and final version will be submitted to the IFSB Council meeting to be held in Kuala Lumpur on 7 Rabi Awwal 1428H (March 26, 2007)].

2. Technical Support initiative in the Framework of 1440H Vision – in collaboration with IDB Group entities and Technical Team. (Paper submitted to the BED for brainstorming session held in June 2006).

3. Islamic Financial Services Industry Development: Medium-term Framework and Sub-programs. In the Framework of IDB Vision 1440H Quick Wins – in collaboration with IDB Group entities and Technical Team. (Paper submitted to the Management in collaboration with IBO and Assets Management Department).

III. ISLAMIC FINANCIAL PRODUCTS AND *FIQH* RESOURCES

This is a 3-year (expected) project that started in May, 2005. The objective is to search classical resources of *fiqh* for financial products that can be potentially helpful in developing financial instruments for Islamic financial institutions.

Phase 1 of the project includes scanning selected resources for financial products. This phase has been completed in November, 2006. Total scanned volumes are 87, with average 400 pages per volume, which amounts to about 35,000 pages. Total products extracted are 2750 products. These products are under review to select the most relevant to contemporary needs. The target is 1500 products.

Phase 2 of the project has already started in May, 2006. It includes concise study of the products.

Based on instructions from the President, the products are being prepared for publishing in order to obtain feedback from researchers and experts. This is scheduled to be done in 1428H insha Allah.

IV. ISLAMIC BANKING INFORMATION SYSTEM (IBIS)

The IBIS has been developed in collaboration with Central Banks, Islamic Financial Services Institutions and Infrastructure Institutions. By the end of 1427H, The first phase of the project was completed with the launch of the IBIS website. Project Data: The IBIS archives now contain a significant and valuable amount of collected data with well-established sources and preset mechanisms for its sustainability. Data collection outsourcing continued with 4 initiatives. Two contracts for the Islamic bank's *Shari'ah* databank, and an MoU with the Monetary and Banking Research Academy of the Central Bank of Iran, and the last MoU with the Islamic Foundation in the United Kingdom Technical Implementation: Besides administration of the IBIS website, IRTI has in production the first comprehensive global directory of IFIs., which provides up-to-date basic and financial information. Project Resources: IBIS mainly utilizes IRTI internal resources.

V. *DRASAT IQTISADIYYAH ISLAMIYYAH*

1. Vol. 13, No. 1, Published.
2. Vol. 13, No. 2, Under preparation

VI. ISLAMIC ECONOMIC STUDIES

1. Vol. 13, No. 2, Published.
2. Vol. 14, No. 1, Under preparation

VII. RESEARCH

1. Financial Products in Islamic *Fiqh* Resources – 3-Year Project: Phase – I to be completed by end of 1428H.
2. Islamic Finance and the Challenges of Hedging (Occasional Paper 1427H) - Published. Translated into Arabic and French.
3. Effect of Market Capitalization on Stability of Islamic Equity and Equity Index – initiated and carried to 1428H.
4. Hand Book on Islamic Finance – initiated and carried to 1428H.
5. Simulation in Islamic Economics – under review by IRTI Academic Committee.

VIII. LECTURES AND PRESENTATIONS OF STAFF

No.	Activity	Collaborating Agency	Venue	Date
1.	Principles of Islamic Finance	SAMA	Dammam	25-26 Safar 1427H (25-26 March 2006)
2.	Managing Risks of Capital, Liquidity and Return. Presented at the Seminar of Challenges Facing Islamic Financial Industry		Kuwait	27-29 March 2006
3.	Financial Engineering	Distance Learning Centre	Jeddah	13 Rabi Awwal 1427H (11 April, 2006).
4.	Principles of Islamic Finance	SAMA	Riyadh	17-18 Rabi Awwal 1427H (15-16 April 2006)
5.	Liquidity Management in Islamic Banks	IDB - Distance Learning Centre	Jeddah	April 2006
6.	Hedging in Islamic Finance	Distance Learning	Jeddah	22 Jumad Thani 1427H (18 July, 2006).
7.	Financial Distress and Bank Failure	IDB - Distance Learning Centre	Islamabad	29 Jumad Thani 1427H (25 July 2006)
8.	Emerging Role of Financial Markets and Islamic Finance: An overview	IDB	Jeddah	24 Sha'ban 1427H (17 Sept. 2006)
9.	Hedging Instruments (part of Capital Markets Course).	Distance Learning Course	Jeddah	26 Sha'ban 1427H (19 September, 2006)
10.	Simulation in Islamic Economics	Distance Learning	Jeddah	17 Ramadan 1427H (10 October 2006)
11.	Introduction to *Sukuk*, (part of *Sukuk* Course).	Training course	Khartoum, Sudan	12 Shawwal 1427H (3 November, 2006)
12.	Introduction to *Sukuk*, (part of *Sukuk* Course).	Training course	Jeddah	27 Shawwal 1427H (18 November, 2006)
13.	Teaching Corporate Finance from an Islamic Perspective	KAAU	Jeddah	14 Dhul Qa'da 1427H (5 December 2006)
14.	Islamic Product Development	Training course	Riyadh	18-20 Dhul Qa'da 1427H (9-11 December 2006)
15.	Financial Distress and Bank Failure: Relevance for Islamic Banks	Bank Markazi Jamhouri Islami Iran (Central Bank of Iran)	Noshar, Iran	20 Dhul Qa'da 1427H (11 December 2006)
16.	Financial Distress and Bank Failure: Case Study of Ihlas Finans House, Turkey	Bank Markazi Jamhouri Islami Iran (Central Bank of Iran)	Noshar, Iran	20 Dhul Qa'da 1427H (11 December 2006)

IX. SEMINAR PROCEEDINGS AND PUBLICATIONS

1. Islamic Finance and the Challenges of Hedging (Occasional Paper No. 10) – published.
2. Islamic Financial Architecture: Risk Management and Financial Stability (Seminar Proceedings No. 46) - Published.
3. Simulation in Islamic Economics - Internal research, under review.

X. PARTNERSHIP WITH OTHER INSTITUTIONS

1. Partnership MoUs signed with INCEIF, IIFM and University of Brunei.
2. Staff representation in IFSB Technical Committee and Working Groups.
3. Participated in Technical Assistance mission of the Bank Group.

XI. CONTRIBUTION TO IDB ANNUAL REPORT

1. Contributes Chapter 4 of IDB Annual Report.

XII. MISCELLANEOUS

1. On average mission and non-programmed activities take 30% of staff time.



TRAINING DIVISION

No.	Training Activities	Venue	Collaborating Institution	Date of completion
1.	Investment Funds Compatible with *Shari'ah* [In Arabic]	Kuwait City, Kuwait	1) SAMA, Saudi Arabia 2) Central Bank of Kuwait	06-09/01/1427H [5-8/02/2006]
2.	Workshop on "Price Statistics and Indices" [In English]	Ankara	Statistical, Economic and Social Research and Training Center for Islamic Countries [SESRTCIC] Ankara, Turkey	21-23/01/1427H [20-22/02/2006]
3.	Logistics and Export Competitiveness [In French]	Casablanca	Islamic Center for Development of Trade (ICDT), Morocco	28-01/03-02/1427H [27/02-03/03/2006]
4.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Dammam, Saudi Arabia	Institute of Banking SAMA	25-26/02/1427H [25-26/03/2006]
5.	Islamic Banking Operation [In Arabic]	Damascus	Central Bank of Syria	04-08/03/1427H 02-06/04/2006
6.	*Zakat* as a Tool for Poverty Reduction [In Arabic]	Nouakchott	Islamic Cultural Association of Mauritania	08-11/03/1427H [06-09/04/2006]
7.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Jeddah, Saudi Arabia	Institute of Banking SAMA	10-11/03/1427H [08-09/04/2006]
8.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Riyadh, Saudi Arabia	Institute of Banking SAMA	17-18/03/1427H [15-16/04/2006]
9.	Human Resources Development (In Russian/English Languages)	Tashkent	Center for Professional Development in Foreign Economic Relations, Ministry for Foreign Economic Relations, Investments and Trade [CFPDFER/MFERIT] Uzbekistan	19-03/1427H [17-04/2006]
10.	Securitization and its Application in Islamic Banks [In Arabic]	Amman,	Institute of Banking Studies, Jordan.	25-29/03/1427H [23-27/04/2006]

11.	Practical Models & Instruments for Management of Macro-Economics [In Arabic]	Cairo	i) Egyptian Banking Institute, Egypt; and ii) Arabic Planning Institute, Kuwait	08-13/04/1427H [06-11/05/2006]
12.	Regulation and Supervision of Islamic Banks [In English]	Jakarta, Indonesia	SEACEN Center, Malaysia	09-05/1427H [05-/06/2006]
13.	Establishing *Zakah* and *Awqaf* Institutions [In French]	Niamey	- CONIZAWA, Niger - *Bait Al Zakat*, Kuwait - Kuwait Awqaf Public Foundation, Kuwait	18-20/05/1427H [14-16/06/2006]
14.	Training Program for the Staff of National Chambers of Commerce of Middle Eastern Countries [In English]	Doha, Qatar	Islamic Chamber of Commerce & Industry [ICCI], Karachi, Pakistan	29/05-02/06/1427H [25-28/06/2006]
15.	Developing Professional Skills of Staff of *Zakat* Institutions [In Arabic]	Khartoum,	Higher Institute of *Zakat* Studies, Sudan	05-10/06/1427H [01-06/07/2006]
16.	Poverty Reduction: Concepts and Methodologies [In English]	Jeddah, S. Arabia	HRMD, IDB	09-13/08/1427H [02-06/09/2006]
17.	*Sukuk* and Its Application in Islamic Banking [English]	Khartoum, Sudan	Higher Institute of Banking and Finance, Khartoum, Sudan	13-18/10/1427H [04-09/11/2006]
18.	Accounting and Auditing standards in Islamic Financial Institutions [Arabic]	Damascus	Central Bank of Syria	20-24/10/1427H [11-15/11/2006]
19.	Computer Network Server Administration in LINUX Environment [In English]	Dhaka	Islamic University of Technology [IUT], Bangladesh	21-25/10/1427H [12-16/11/2006]
20.	*Sukuk* as Sources of Financing Development Projects [In English]	Jeddah, S. Arabia	HRMD, IDB Group	27-10/01-11/1427H [18-22/11/2006]
21.	Founding Voluntary Projects [In Arabic]	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	04-07/11/1427H 25-28/11/2006
22.	Principles and Practices of Islamic Economics and Banking [In Russian / English]	Baku	Azerbaijan State Economic University [ASEU], Azerbaijan	06-10/11/1427H [27/11-01/12/2006]

23.	Developing Islamic Financial Products [In Arabic]	Riyadh, Saudi Arabia	Institute of Banking SAMA	18-20/11/1427H [09-11/12/2006]
24.	Human Resources Development [In Arabic]	Damascus, Syria	State Planning Organization	19-23/11/1427H [10-14/12/2006
25.	Financing Small and Medium Enterprises [In English]	Parmaribo, Suriname	Central Bank Van Suriname	21-24/11/1427H [12-15/12/2006]
26.	Financing Small and Medium Enterprises [In Arabic]	Cairo, Egypt	Institute of National Planning	24-28/12/1427H [14-18/01/2007]

INFORMATION CENTER

No.	Project Title	Date of Completion	Present Status
1	IDB Database on Experts (IDBDE)	A new system design for the current system is being formulated (June 2007)	- An agreement has been drafted and sent to the Legal Department to contract with the winning company, namely; Gulf Computer Services Co – SPSNet, Jeddah. - Data update, review and monitoring is under progress with low profile.
2	Awqaf Databank	Development in progress	- IRTIC is following with HARF Information Technology Co. regarding the digitization of *Awqaf* literatures received from the Ministry of Islamic Affairs & *Awqaf* of Morocco, Kuwait and Saudi Arabia. - Jointly with Kuwait Awqaf Public Foundation (KAPF), IRTIC is communicating Turkey General Directorate of *Waqf* to submit their information and documents related to the project. - Follow-up processes are being carried out on a regular basis with partner countries to acquire data, information and *Awqaf* literature.

3	Guideline for a National IT Strategy (Knowledge & ICT Outlook and Index for IDB Member Countries)	June 2007	- IRTIC is still awaiting some further actions from MSC Technology Center (MSCTC) Malaysia related to the implementation of the Knowledge & ICT Outlook and Index for IDB member countries. - A proposed meeting with the General Manager of MSCTC is planned to be held in Jeddah during the second week of January. - IRTIC is submitting periodic progress reports to Trade Finance & Promotion Department (TF&PD).
4	IRTI Publication Management System (IRTI PMS)	System completed and launched	- The IRTIPMS site is monitored and enhanced on a regular basis. New digitized books, publications and author bio-data are being entered into the system regularly. - As a step towards improving the features of current IRTIPMS system, the full-text PDF files of IRTI publications (about 130 files) were revisited and modified so that they are available for view-only by external users. - Based on the approval of the IDB President to develop rest of the modules of the system by an external consultant, and after a new IRTIPMS RFP was sent to external consultants, three offers were received by the Administrative Services Department. - IRTIC is currently arranging with Administrative Services Department to form a committee for opening and evaluating the offers received from the external consultants.
5	IRTI Publications	Ongoing Activity	- Orders were placed to reprint ten publications. - One Arabic and two English publications were reviewed and designed and sent to the press for final printing. - Posters for the meetings were designed and printed. - Training Certificates, posters for lectures were designed, reviewed and printed.

6	IRTI Website and Portal	Continuous	- IRTIC is regularly attending the Steering & Technical Committee meetings of the IDB Group Portal as a permanent member, representing IRTI Portal Administrator and providing them with the requested information such as sitemap, design review, etc. - As part of its effort to implement the new IRTI Portal, IRTIC has completed preparation of the Portal web pages' content. Sitemap of the Portal was also completed and sent to the development contractor. A new request came to IRTIC to start planning for the French and Arabic contents of the IRTI portal. - IRTIC is still supporting the current **www.irti.org** website and updating its web pages to satisfy user requests. - Continuous monitoring and enhancements are being conducted.
7	ICT for Development Working Group	Continuous	- IRTIC is studying and communicating the Quick-Win proposals and recommendations received from the working group parties and those resulted from the first consultative meeting. Group discussion is going on among the parties to launch joint activities. - IRTIC is working on publishing the output of all activities on IRTI site on the Internet.
8	IRTI participation in ITP	Continuous	- IRTIC has led the teams for the Macro Blueprint workshops on IRTI functions. Four successful workshops have been held on training, research, special program, publishing and information system. - IRTIC is preparing for another Macro Blueprint workshop on Document Management. - IRTIC is regularly attending the Steering & Technical Committee meetings of the IDB Group IT Program as a permanent member, representing IRTI super user and providing them with the requested information.

9	Distance Learning Program	Continuous	- IRTIC conducted the program for the 4th Distance Learning Course "Lecture Series in Islamic Economics" started on 26 September 2006. The ten course lectures were conducted successfully. - An evaluation questionnaire was sent to the organizers of the course in the participating universities to be filled by their students for evaluating the course. Few have replied till now. - An attendance certificate was designed to certify attendance of students who attended at least 80% of the lectures. - The program of the 5th Distance Learning Course on "New and Current Issues on Islamic Finance" to start in March 2007 was finalized locally and sent to the participating universities for their feedback. - Based on a request from College of Darul Hikmah in Jeddah, preparation is being made for their students to attend the 5th Distance Learning Course physically using the DL Lab. IRTI will negotiate with them for a reasonable fee for their students. - On the request of Moamalat Institute, Indonesia for participation in IRTI DL Program, it was found that their equipment is not compatible with IDB. Hence, IRTIC has advised Organization and Management Development Department (OMD) to draft the specification for the required equipment for them to acquire. - The program of the 4th DL course including lecture material was made available on IRTI website under the e-learning section. - Communications took place with lecturers to provide their CV's and a short description of their lectures as a preparation for producing a catalogue for the DL Program. Also catalogues from open universities and other DL Centers are being sought to help in preparing the IRTI DL catalogue.

10	Marketing IRTI Products	Continuous	- IRTIC is following up with a regional marketing company "Jacobsons" for a free marketing strategy for IRTI products. - A meeting with an established local marketing company (Bridges) was held to prepare for a presentation by them for members of the Task Force on marketing IRTI products. - The Company is experienced in strategic planning in marketing & communication as well as wide experience in customer relation management (CRM) using latest CRM Tools. - A presentation was delivered by Bridges to member of the Task Force to explain their profile, policies, clients and available innovative marketing strategies and tools. - During the presentation, it was found that the clients of Bridges vary from normal commodity customers, commercial banks, communications organizations in addition to educational institutions (Academy of Learning). - A detailed open discussion took place about various strategies to be used for marketing IRTI products. - To prepare a free marketing strategy for IRTI products, the company provided data acquisition form to be filled for each of the IRTI products. Once these forms have been filled, a meeting with the Task Force will be held to discuss and finalize a proposed marketing strategy for each of these products.
11	IRTI Newsletter	Continuous	- The 11h issue of the 3rd Volume of the Newsletter was published and the link was provided to all IDB staff using the local e-mail system.
12	Miscellaneous		- On a regular basis, IRTIC is helping other divisions of IRTI in their presentations and seminars for setting up the projection equipment and troubleshooting of PCs and scanning and OCRing.

SPECIAL ASSIGNMENTS UNIT

PROGRAMS	
Activity	*Status*
IDB Prize	IDB Prize for the year 1426H was implemented and awarded to HRH Prince Mohamed Al-Faisal Al-Saud of the Kingdom of Saudi Arabia. IDB Prize for the year 1427H is under implementation. First meeting of Screening Committee was held. Documents of the short-listed candidates have been sent to the referees from review. Referee reports have been received and second Screening Committee meeting conducted. Preparations for the Selection Committee meeting are under process.
IDB Prize Lectures	1425H IDB Prize Lecture was delivered by Dr. Shawqi Dunya.
Encouragement and Promotion Program	Some requests were received and processed.
IRTI Scholarship Scheme	Some requests were received and evaluated which did not meet the criteria.
MEETINGS	
Academic Committee	15 meetings of the Academic Committee were held. Agenda and minutes were prepared and distributed as usual and follow up of decisions were handled.
Management Committee	12 meetings of the IRTI Management Committee were held. Agenda and minutes were prepared and distributed as usual and follow up of decisions were handled.
Executive Committee	34 meetings of the executive committee were held. Agenda and minutes were prepared and decisions were implemented.
REPORTS	
Administrative Report for BED	Two Administrative Reports were prepared and sent to HRMD.
Monthly Report	12 Monthly Reports of IRTI were prepared, sent to the Office of the President and discussed in IRTI Management Committee meetings.

ADMINISTRATIVE SERVICES SECTION

The Administrative Services Unit is a liaison unit between IDB and IRTI .It is following up all matters relating to accounts, personnel, purchasing of all equipments, arranging all possible facilities and preparation for the seminars, workshops, conferences, lectures which are organized by IRTI and held in the Bank headquarters. It is also helping in issuing visas, air tickets, reception and accommodation for the participants. It finalizes settlement bills of seminars, honorarium for participants, referees, researchers, etc. It records all incoming and outgoing correspondences , and faxes to different areas.

APPENDIX

A.2 MANAGEMENT, COMMITTEES, AND ORGANIZATIONAL CHART

MEMBERS OF THE IRTI MANAGEMENT COMMITTEE

President, IDB	:	*Chairman*
Vice President (Trade and Policy)	:	*Member*
Vice President (Corporate Resources and Services)	:	*Member*
Vice President (Operations)	:	*Member*
Advisor to the Bank	:	*Member*
Director, IRTI	:	*Member*
Chief, Islamic Economics, Co-operation and Development Division	:	*Member*
Chief, Islamic Banking & Finance Division	:	*Member*
Chief, Information Centre	:	*Member*
Chief Training Division	:	*Member*
Head, Special Assignments	:	*Secretary*

COMPOSITION OF IRTI ACADEMIC COMMITTEE

Prof. Dr. Muhammad Umar Zubair *Advisor, IRTI*		*Chairman*
Director, IRTI		*Vice Chairman*
EPS Department, IDB		*Member*
Prof. Dr. Abdulwahab Abu Sulaiman *Ummul Qurah University, Makkah*		*Member*
Dr. Mohammad Ali Al-Qari *Islamic Economics Research Center, King Abdulaziz University, Jeddah*		*Member*
Dr. Mohammed Dammas Al-Ghamdi *Al Jazirah Bank, Jeddah*		*Member*
Dr. M. Umer Chapra *Research Advisor, IRTI*		*Member*
The following Heads of Sections shall attend during academic discussions; not as members of the IRTI Academic Committee :		
Chief, Islamic Economics, Cooperation and Development Division		
Chief, Islamic Banking and Finance Division		
Chief, Training Division		
Chief, Information Center		

IRTI SENIOR OFFICIALS

Dr. Ahmad Mohamed Ali	:	*President, IDB*
Mr. Bashir Ali Khallat	:	*Acting Director, IRTI*
Dr. Muhammad Umar Zubair	:	*Advisor to IRTI*
Dr. M. Umer Chapra	:	*Research Advisor*
Dr. Muhammad Fahim Khan	:	*Chief, Islamic Economics, Co-operation & Development Division*
Dr. Ahmad Ibrahim Iskanderani	:	*Chief, Information Center (IRTIC)*
Dr. Tariqullah Khan	:	*Chief, Islamic Banking & Finance Division*
Dr. Tahar Memmi	:	*Chief, Training Division*

IRTI PROFESSIONAL STAFF

ISLAMIC ECONOMICS, COOPERATION AND DEVELOPMENT DIVISION

Dr. M. Fahim Khan
Dr. Habib Ahmed
Dr. Khaled Hussein
Dr. Layyachi Feddad

ISLAMIC BANKING AND FINANCE DIVISION

Dr. Tariqullah Khan
Dr. Salman Syed Ali
Dr. Sami al Suwailem
Dr. Mohammed Obaidullah
Mr. Sherif A. Abdelhalim

TRAINING DIVISION

Dr. Taher Memmi
Dr. Boualem Bendjalali
Dr. Osman Babikir Ahmed
Mr. Abdulmonem Jamil Addas
Mr. Faysal Salama

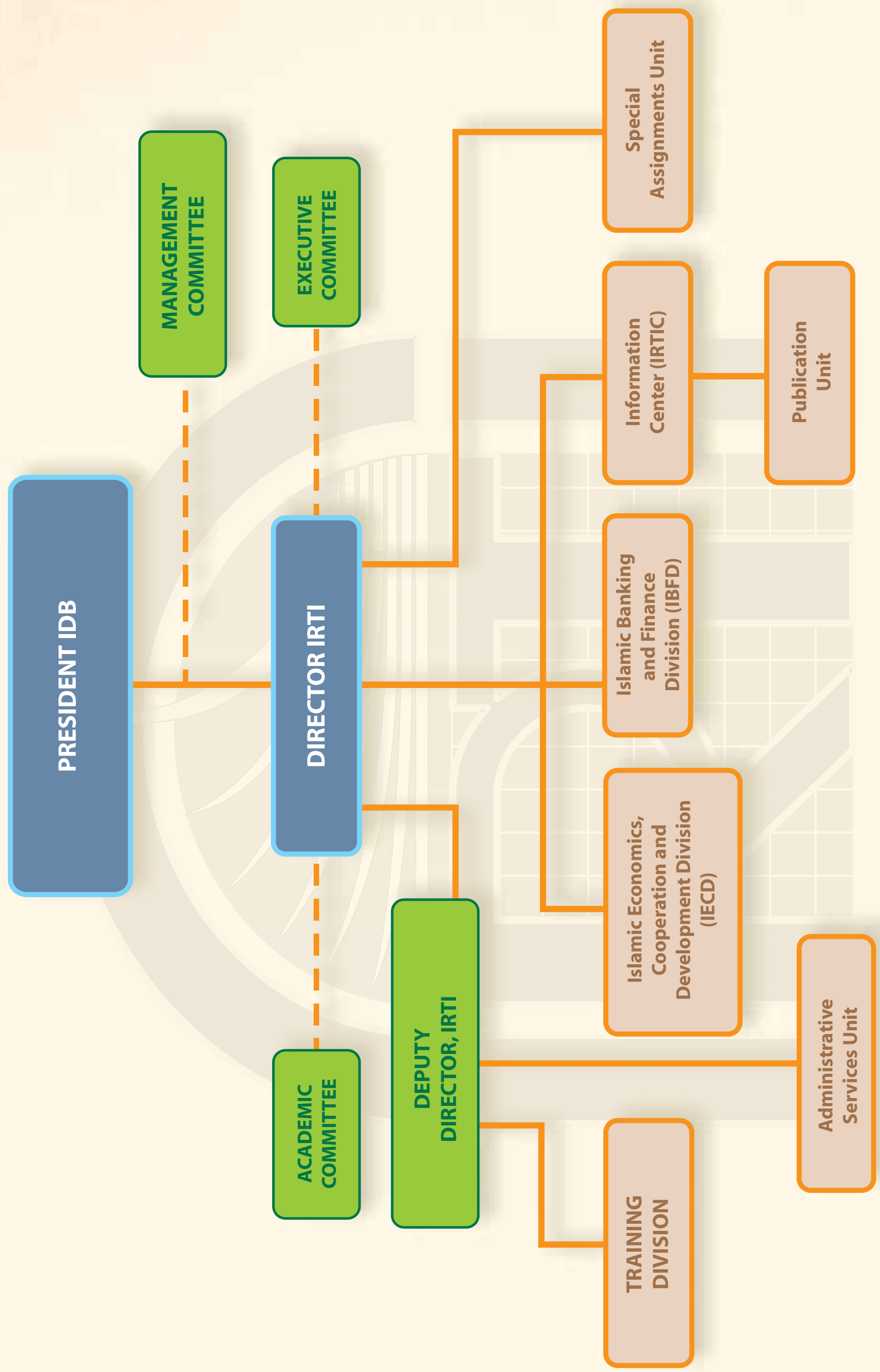
INFORMATION CENTER (IRTIC)

Dr. Ahmad Iskanderani
Mr. Omar Abdullah Attiah
Mr. Khalid Humaid
Mr. Osama Al-Nowaiser
Mr. Hilal Hussein

ADMINISTRATIVE SERVICES UNIT

Mr. Yousif Kawadis

ORGANIZATIONAL CHART



Designed by
Mohammad Ali Asiri
IDB GROUP 2007©

Executed by
Fred Palacios
SARAWAT PRINTERS

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